RESEARCH REPORT

THE CHANGING RURAL RENTAL MARKET IN ATLANTIC CANADA

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May 17, 2000

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The Changing Rural Rental Market in Atlantic Canada

Final Report

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Executive Summary

Overview

This report describes how the rural rental market in Atlantic Canada has changed from the early 1990s to today. The term "rural" is used to include all incorporated communities of less than 10,000 in population, plus all unincorporated areas, as defined by Statistics Canada. This study assessed the impact of the changing rural economy, the termination of new social housing construction, the decline in mortgage interest rates, and the implementation of the 5% down payment program for home buyers. The study also developed an understanding of the climate for investment in rental properties, identified opportunities for communities and government to support new rental housing construction, and developed an understanding of the risks associated with multiple unit development in rural areas and small towns.

Methodology

The first phase involved the development of a profile of rural renters. A four step cluster analysis method (using 1996 census data) was used to identify different types of rural housing markets, using a variety of census variables including incomes, age structure, and household size and type. Eight different communities were selected for developing case study profiles of local rental housing data: Happy Valley-Goose Bay, NF; Clarenville, NF; Port Hawkesbury, NS; Middleton, NS; Shelburne, NS; Perth Andover, NB; Tracadie-Sheila, NB; and Alberton, PEI. Special tabulations from the 1991 and 1996 census about renter households were also examined to develop an understanding of the changing renter profile.

The second phase involved a detailed literature review from the post 1990 period on the changing rural economy, and its impacts on rural housing markets in general and on rental housing markets specifically. The literature review consisted of published and unpublished materials, books, articles, web sites, and other relevant sources.

The third phase involved the development of local rental market case studies. Key informant interviews were conducted with private landlords or their property managers, real estate agents, social housing program managers from government, non-profit housing suppliers, provincial housing representatives, lending or mortgage officers at financial institutions, community / economic development officers or town managers.

Key Issues from the Literature

The literature identified important contextual issues which shape our understanding of the case study locations and the potential policy directions to facilitate rental housing investment:

- Understanding the local community context is important, particularly in terms of location and economic situation. It is difficult to generalize the situation across all rural areas.
- There is a need to understand how changes in urban submarkets (conversions, accessory apartments, etc) are happening in the rural context.

- The changing rural economy is providing both push and pull elements related to supply and demand of rental housing.
- The nature of renter demographics and their subsequent demand for rental housing is changing and becoming more complex, primarily as a result of household splitting. This has resulted in many different types of renter households requiring different types of housing.
- Rural areas generally have high ownership rates, with limited choices of quality, type and tenure options.
- There is increasing competition for affordable rental units, as income growth is limited and some communities have faced economic downturns.
- Rural renter households are more likely to have affordability problems compared to their rural homeowner counterparts.
- Vacancy rates are generally higher in economically depressed communities.
- There is a general lack of housing planning and institutional networks in rural areas which creates problems for those wishing to supply rental housing.
- The changing policy environment related to capital gains exemptions and favouring disinvestment in rental poses problems for generating new supply of rental housing.

Key Issues from the Renter Profile Data

The renter profile data from the 1991 and 1996 census data provided further information to better interpret the local rental market dynamics at the case study level.

- The percentage of small town households which are renters is increasing and is almost the same as in the largest urban centres of Atlantic Canada. In the case of rural households the incidence of renter households is significantly less, but also rising.
- The single detached dwelling is the most dominant rental structural type in rural areas. It also comprises about 25% of the small town rental stock.
- More of the rental stock in small towns (10%) and rural areas (14%) is in need of major repairs, and in both cases is higher than the national and regional average.
- More of the small town rental stock is older (built prior to 1980) than in other community sizes, but more of the rental stock in rural areas is newer (built between 1991 and 1996).
- Small towns and rural areas are more likely to have renter households comprised of husband and wife families, with or without children, than other areas. However, the percentage of renter households which are single parent families is on the rise everywhere and is highest in rural areas at more than 18%.
- The distribution of renter households across age of household maintainer does not vary much from area to area; however, in general there is an increase in the percentage of renter households headed by someone aged 30 to 64 years old. The percentage of renter households headed by someone 65 years of age or more is highest in small towns.
- Renter households in small towns and rural areas are more likely to have lower household incomes.
- Renter households in small towns and rural areas are less likely to pay more than 50% of their gross income for rent compared to those in other areas. However, the percentage doing so in all areas is increasing. The incidence of renter households paying more than 30% of their household income for rent is just as high in small towns (at 44%) as in larger centres.

Our Understanding of the Local Rental Market Dynamics

The dynamics of rental markets in small towns is very much linked to the local economic context within which the community operates. The case study approach identified three principal types of communities as they relate to rental markets: boom-bust communities, where changes in the rental market are quite variable and fluctuate significantly with economic activity; stagnant communities, where changes are minimal and gradual over time; and declining communities, where housing markets are depressed and investment opportunities are limited.

The Changing Renter Profile

Significant and important changes in the characteristics of renters and rental supply was identified by combining information from the 1991 and 1996 censuses with information from the case studies.

- The percentage of small town households which are renters is increasing and is almost the same as in the largest urban centres of Atlantic Canada. In the case of rural households the incidence of renter households is significantly less, but also rising. Evidence from the case study interviews suggested that there were relatively few renter households moving into homeownership because of improved financial opportunity. They are held back by uncertain economic times. Those who are moving into homeownership are being replaced by lower income renter households. This was particularly the case in communities with stagnant or declining economies.
- The single detached dwelling is the most dominant rental structural type in rural areas. It also comprises about 25% of the small town rental stock. Key informants from the case study communities with boom-bust economies identified that the single detached dwelling, along with accessory apartments, played an important role in short term rental supply. Furthermore, many pointed to the difficulty in financing larger rental housing developments.
- More of the rental stock in small towns (10%) and rural areas (14%) is in need of major repairs, and in both cases is higher than the national and regional average. This statistical observation from the census was particularly evident in communities with declining economies.
- More of the small town rental stock is older (built prior to 1980) than in other community sizes, but more of the rental stock in rural areas is newer (built between 1991 and 1996). The only case study communities which exhibited any new rental housing development in the 1990s were those with boom-bust economies, and one of those with a stagnant economy. The depressed economy and limited demand from a large enough segment able to pay full market rents limits new development.
- Small towns and rural areas are more likely to have renter households comprised of husband and wife families, with or without children, than other areas. However, the percentage of renter households which are single parent families is on the rise everywhere and is highest in rural areas at more than 18%. Key informants echoed these census statistics. In boom-bust communities single persons and single parent families were increasing as a proportion of renters, in stagnant communities single persons (students and seniors) were increasing, and in declining communities single parent families were increasing.

- The distribution of renter households across age of household maintainer does not vary much from area to area; however, in general there is an increase in the percentage of renter households headed by someone aged 30 to 64 years old. The percentage of renter households headed by someone 65 years of age or more is highest in small towns. Seniors are becoming an increasingly important part of the renter demand in stagnant communities, where seniors are moving into these communities to have better access to services. The emerging demand market among "empty nesters" for rental housing, a trend developing in urban areas, was not identified by key informants in any of the case study communities. It is likely that given the relatively high ownership patterns in small towns and rural areas, these areas will be the last to see a large movement by that age cohort into rental housing.
- Renter households in small towns and rural areas are more likely to have lower household incomes. Key informants in all communities noted that there were more lower income households among those renting in their communities.
- Renter households in small towns and rural areas are less likely to pay more than 50% of their gross income for rent, but the percentage doing so in all areas is increasing. However, the incidence of renter households paying more than 30% of their household income for rent is just as high in small towns (at 44%) as in larger centres. Many of the key informants noted that more renter households were appearing on waiting lists for social housing, particularly in communities with stagnant or declining economies.

The Changing Rural Economy

The changing rural economy has had tremendous impacts on both the supply of and demand for rental housing. In primarily boom-bust and declining communities, decisions which have an impact on improving or reducing the economy of the community are being made by senior levels of government (closure of the ground fishery, closure of military bases) and large corporations (capital reinvestment projects, mineral exploration). In the first case, the effect is a depressed housing market for all tenure types. In the second case, the housing market fluctuates significantly. In stagnant communities there are fewer impacts, but migration from the surrounding rural communities into the community is having some impact on the rental market.

The Improved Financing Climate for Homeownership

Key informants identified that declining mortgage interest rates had much more of an effect on renters and rental housing than did the introduction of the 5% downpayment option. Because many renter households, particularly single parent households and single person households, have lower incomes and little or no capacity to save for a downpayment on a house, the 5% downpayment option is of no consequence. This was deemed to be particularly the case in declining communities and to a certain extent in stagnant communities. Furthermore, lower interest rates over a longer term were seen to create a more stable environment for homeownership, making it more comfortable for newly formed households to move into an ownership situation immediately, and for some family households to move from renting to owning in a shorter period of time.

The End of New Social Housing Construction

The impact of the termination of new social housing construction on the supply of rental housing varies by community type. In boom-bust communities the impact has been minimal. There has been sufficient new development to meet overall demand, but key informants did admit that there were still people having serious affordability problems. This comment was echoed by the census data which showed a rising proportion of renters paying more than 30% of their income for rent. In declining communities, and to a certain extent in stagnant communities, key informants suggested that the government as a supplier of rental housing made it difficult for private rental property owners to attract and keep "the best" of the lower income renter households. Waiting lists for social housing in these communities have grown significantly. The fact that the private sector has not been able to build rental housing at costs low enough for lower income households to afford market rents suggests that there has been a problem created by the lack of social housing construction.

Opportunities for Rental Housing Development

There are limited opportunities for new rental housing development in small towns. The opportunities are significantly constrained by the present economic realities, and are more pronounced in communities with stagnant or declining economies. The financial risks are high and there is lack of demand from a segment which can pay full market rents. The emerging seniors market, which demands newer, more accessible, and higher quality units is an opportunity for communities with stagnant economies. In communities with boom-bust economies, the development of new rental housing is tied directly to the pace of economic activity. When new developments are underway, particularly those which attract new households and workers to the community, the private sector is ready and somewhat able to increase supply of all structural types. The difficulty in these communities is when the major developments wind down, and there is an oversupply of rental housing for a period of time.

It is highly unlikely that governments will move back into the realm of direct supply of rental housing in the form of social housing units. Some key informants suggested that government could work with the private sector in two ways. The first is to improve the local development situation, through investments which improve the economy of the community and region, and through keeping land costs and rental property taxes to a minimum. These latter two points are seen as somewhat restrictive elements. The second is to provide more rent supplements directly to the rental property owners to address more of the low income housing needs in the community.

New rental housing development will also be contingent on financing. Eight of the 25 rental property owners interviewed had experienced some problems obtaining financing in the past. Some concerns were expressed about the perceived high levels of equity (25% to 35%) required for projects of four or more units. Other concerns focused on the perception that national standards for assessing loan applications were being applied to local situations, and that local decision-making was being overturned. The suggestion is that a better understanding of the local situation and the local rental housing market is needed, and that this is best done by local lenders on a case by case basis.

Résumé

Aperçu

Ce rapport décrit l'évolution du marché locatif rural dans la région canadienne de l'Atlantique, depuis le début des années 1990 jusqu'à aujourd'hui. Par « rural », nous entendons toutes les municipalités constituées en personnes morales et comptant moins de 10 000 habitants, plus tous les secteurs non constitués, tels que définis par Statistique Canada. L'étude traite des effets causés par le changement de l'économie rurale, la fin de la construction de nouveaux logements sociaux, la baisse des taux d'intérêt hypothécaires et la mise en oeuvre du programme de la mise de fonds à 5 % pour les acheteurs d'une maison. L'étude s'attarde également au climat entourant l'investissement dans les immeubles locatifs, relève les options s'offrant aux collectivités et aux pouvoirs publics pour soutenir la construction de logements locatifs et évalue les risques associés à l'aménagement de collectifs d'habitation dans les zones rurales et les petites villes.

Méthodologie

La première étape de l'étude consistait à élaborer un profil des locataires vivant en milieu rural. Pour ce faire, nous avons appliqué une analyse typologique (fondée sur les données du recensement de 1996) afin d'identifier les différents types de marchés ruraux du logement, au moyen d'une variété de variables statistiques, incluant le revenu, la structure par âge et la taille et le type des ménages. Pour dresser le profil des données locales sur le logement locatif, sous la forme d'études de cas, nous avons sélectionné huit collectivités : Happy Valley-Goose Bay (T.-N.), Clarenville (T.-N.), Port Hawkesbury (N.-É.), Middleton (N.-É.), Shelburne (N.-É.), Perth Andover (N.-B.), Tracadie-Sheila (N.-B.), et Alberton (Î.-P.-É.). Nous avons également examiné des tableaux spéciaux tirés des recensements de 1991 et de 1996 afin de saisir l'évolution du profil des locataires.

La deuxième étape a pris la forme d'une analyse de la documentation détaillée de la période postérieure à 1990 sur l'évolution de l'économie rurale et ses effets sur les marchés ruraux du logement en général et sur les marchés du logement locatif en particulier. Ont été consultés des documents publiés et non publiés, des livres, des articles, des sites Web et d'autres sources pertinentes.

La troisième étape a consisté à dresser des études de cas de marchés locatifs locaux. On a mené des interviews avec des informateurs clés, c'est-à-dire des propriétaires-bailleurs privés ou leurs gestionnaires immobiliers, des agents immobiliers, des gestionnaires de programme de logement social du gouvernement, des fournisseurs de logements sans but lucratif, des représentants des provinces responsables du logement, des agents de prêt ou agents hypothécaires d'institutions financières, des agents de développement communautaire ou de développement économique et des administrateurs municipaux.

Principaux points de l'analyse documentaire

L'analyse documentaire nous a permis de cerner d'importants enjeux contextuels qui ont modelé notre compréhension des études de cas, ainsi que les orientations stratégiques éventuelles visant à faciliter l'investissement dans le logement locatif.

- Il est important de comprendre le contexte local, en particulier en ce qui touche l'emplacement et la situation économique. Il est difficile de généraliser les situations entre les différents secteurs ruraux.
- Il est nécessaire de comprendre comment les changements des sous-marchés urbains (conversion, appartements accessoires, etc.) se produisent en contexte rural.
- L'évolution de l'économie rurale fournit des éléments de pression et d'attraction se rapportant à l'offre et à la demande de logements locatifs.
- Le profil démographique des locataires et la nature de la demande de logements locatifs qui leur est attribuable sont en cours de changement et deviennent plus complexes, en particulier en raison de l'éclatement des ménages. Les types de ménages locataires se sont donc multipliés tout comme les types de logements qui les intéressent.
- Règle générale, le taux de logements en propriété est élevé en milieu rural, tandis que les options de qualité, de type et de mode d'occupation des logements sont limitées.
- On observe une concurrence croissante pour l'obtention de logements locatifs abordables, la croissance des revenus étant limitée et certaines collectivités subissant des ralentissements économiques.
- Les ménages locataires vivant en milieu rural connaissent plus souvent des problèmes d'abordabilité que les propriétaires-occupants des mêmes secteurs.
- Les taux d'inoccupation sont généralement plus élevés dans les collectivités subissant une récession économique.
- Dans les secteurs ruraux, on dénote un manque général de planification résidentielle et de réseaux institutionnels, ce qui cause des problèmes à ceux qui veulent fournir des logements locatifs.
- Les modifications apportées aux mesures gouvernementales touchant les exemptions pour gains en capital et les mesures favorisant le désinvestissement dans le logement locatif freinent la production de nouveaux logements locatifs.

Principaux points tirés des données sur les locataires.

Les données sur les locataires tirées des recensements de 1991 et 1996 nous ont fourni des renseignements permettant de mieux comprendre la dynamique des marchés locatifs locaux à l'échelle des études de cas.

- Dans les petites villes, le pourcentage de ménages locataires est en augmentation et est presque identique à ce que l'on retrouve dans les grands centres urbains de la région de l'Atlantique. Dans les milieux ruraux, la proportion de locataires est sensiblement inférieure mais également en progression.
- La maison individuelle isolée est le type de logement locatif le plus fréquent dans tous les secteurs ruraux. Elle représente également environ 25 % du parc locatif des petites villes.
- Dans les petites villes et les secteurs ruraux, une plus forte proportion du parc locatif a besoin de gros travaux de réparation (10 % et 14 % respectivement), et, dans les deux cas, il s'agit des chiffres plus élevés que les moyennes nationale et régionale.
- Le parc locatif des petites villes est généralement plus ancien (construit avant 1980) que dans les autres types de collectivités, mais dans le cas des secteurs ruraux, on trouve davantage de logements locatifs récents (construits entre 1991 et 1996).

- Dans les petites villes et les secteurs ruraux, on trouve davantage de ménages formés d'un couple marié avec ou sans enfants que dans les autres secteurs. Toutefois, le pourcentage des ménages locataires monoparentaux est en progression partout et à son niveau le plus élevé dans les secteurs ruraux, soit plus de 18 %.
- La répartition des ménages de locataires selon l'âge du soutien de famille ne varie que faiblement d'un secteur à un autre. Toutefois, on dénote une hausse du pourcentage des ménages locataires dirigés par une personne âgée de 30 à 64 ans. C'est dans les petites villes que l'on trouve le pourcentage le plus élevé des ménages de locataires dont le chef est âgé de 65 ans ou plus.
- Dans les petites villes et les secteurs ruraux, on trouve davantage de ménages de locataires dont le revenu est faible.
- Dans les petites villes et les zones rurales, on trouve moins de ménages de locataires consacrant plus 50 % de leur revenu brut à leur loyer que dans les autres secteurs. Toutefois, le pourcentage est en progression dans tous les secteurs. La proportion de ménages locataires consacrant plus 30 % de leur revenu à leur loyer est identique pour les petites villes et les grands centres (44 %).

Dynamique des marchés locatifs locaux

La dynamique des marchés locatifs des petites villes est simplement liée au contexte économique dans lequel évolue la collectivité. Les études de cas nous ont permis de relever trois catégories principales de collectivités en ce qui concerne les marchés locatifs : les collectivités de type expansion-récession, dont les marchés locatifs varient beaucoup et fluctuent considérablement au rythme de l'activité économique, les communautés stagnantes, caractérisées par des changements peu marqués et graduels dans le temps et les collectivités en déclin, qui se caractérisent par un marché du logement en récession et des occasions d'investissement limités.

Évolution du profil des locataires

En combinant les données des recensements de 1991 et 1996 avec les renseignements des études de cas, nous avons pu observer des changements importants et significatifs touchant les caractéristiques des locataires et du parc de logements locatifs.

- Dans les petites villes, le pourcentage des ménages locataires est en hausse et rejoint quasiment celui des grands centres urbains de la région de l'Atlantique. En milieu rural, la proportion des ménages locataires est sensiblement inférieure, mais est également en progression. Les entrevues menées dans le cadre des études de cas nous permettent d'avancer qu'une proportion relativement faible des ménages locataires peut accéder à la propriété grâce à une amélioration de sa situation financière. L'incertitude de la conjoncture économique freine la mobilité à cet égard. Ceux qui accèdent à la propriété sont remplacés par des ménages locataires à faible revenu. C'est particulièrement le cas dans les collectivités en stagnation ou en déclin.
- Dans les secteurs ruraux, la maison individuelle isolée est le type de logement locatif le plus fréquent. Elle correspond également à 25 % du parc locatif des petites villes. Les informateurs clés des collectivités caractérisées par un économie de type expansion-récession que nous avons interviewés dans le cadre des études de cas déclarent que la maison individuelle isolée et les appartements accessoires, jouent un rôle important dans l'offre de logements locatifs à

court terme. De plus, beaucoup soulignent la difficulté d'obtenir du financement pour la production d'immeubles locatifs de grande taille.

- Davantage de logements locatifs ont besoin de gros travaux de réparation dans les petites villes (10 %) et dans les secteurs ruraux (14 %) et, dans ces deux cas, ce pourcentage est plus élevé que les moyennes nationale et régionale. Cette observation statistique, obtenue d'après les données du recensement, est particulièrement évidente dans les collectivités dont l'économie est en déclin.
- Le parc locatif des petites ville compte plus de logements anciens (construits avant 1980) que dans les autres types de collectivités. Dans les secteurs ruraux on compte davantage de logements locatifs récents (construits entre 1991 et 1996). Les seules collectivités de l'étude de cas qui affichaient des logements locatifs neufs dans les années 1990 sont celles dont l'économie est de type expansion-récession, à l'exception d'un cas dont l'économie et stagnante. L'économie en récession et une demande limitée de la part d'un segment assez grand capable de payer les loyers du marché limitent la production de logements neufs.
- Dans les petites villes et les secteurs ruraux, on rencontre davantage de familles composées d'un couple marié avec ou sans enfants que dans les autres secteurs. Cependant, le pourcentage de familles monoparentales est à la hausse partout et atteint un maximum dans les secteurs ruraux, soit 18 %. Les informateurs clés confirment les statistiques du recensement. Dans les collectivités caractérisées par une économie de type expansion-récession, les personnes seules et les familles monoparentales ont augmenté parmi les locataires, dans les collectivités stagnantes, les personnes seules (étudiants et personnes âgées) sont en hausse, tandis que dans les collectivités dont l'économie est en déclin, les familles monoparentales sont en augmentation.
- La répartition des locataires selon l'âge du soutien de famille ne varie pas beaucoup de secteur en secteur. On observe toutefois une hausse générale du pourcentage des ménages locataires dirigés par un membre de 30 à 64 ans. C'est dans les petites villes que la proportion de ménages locataires dont le chef est âgé de 65 ans et plus est la plus élevée. Les personnes âgées constituent une portion de plus en plus importante de la demande de logements locatifs dans les collectivités dont l'économie est stagnante, les aînés emménageant dans ces secteurs pour bénéficier d'un meilleur accès aux services. La demande émergente de logements locatifs provenant des ménages âgés sans enfants, une tendance qui se développe dans les zones urbaines, n'est observée par les informateurs clés dans aucune des collectivités ayant fait l'objet dune étude de cas. Il est probable que compte tenu de la forte proportion de propriétaires-occupants dans les petites villes et les secteurs ruraux, ces zones seront les dernières à connaître un fort mouvement vers le logement locatif de la part de cette cohorte d'âge.
- On trouve une plus forte proportion de ménages locataires à faible revenu dans les petites villes et les secteurs ruraux. Les informateurs clés de toutes les collectivités observent davantage de ménages à revenu peu élevé parmi les locataires de leur collectivité.
- Dans les petites villes et les zones rurales, on trouve moins souvent de ménages locataires consacrant plus de 50 % de leur revenu brut à leur loyer, mais ce pourcentage est en progression dans tous les secteurs. Toutefois, la proportion de ménages locataires consacrant plus de 30 % de leur revenu à leur loyer est identique entre les petites villes et les grands centres (44 %). Beaucoup d'informateurs clés indiquent que davantage de ménages figurent

sur les listes d'attente pour l'obtention d'un logement social, en particulier, dans les localités dont l'économie est stagnante ou en déclin.

L'évolution de l'économie rurale

L'évolution de l'économie rurale a eu d'énormes effets sur l'offre et la demande de logements locatifs. Dans les collectivités de type expansion-récession ou en déclin surtout, les décisions qui ont des répercussions sur l'amélioration ou la détérioration de l'économie locale sont prises par les instances gouvernementales supérieures (arrêt de la pêche aux poissons de fond, fermeture de bases militaires) et par les grandes sociétés (projets de réinvestissement du capital, exploration minière). Dans le premier cas, il s'ensuit d'un fléchissement du marché du logement pour tous les modes d'occupation. Dans le second cas, le marché du logement va fluctuer considérablement. Dans les collectivités dont l'économie est stagnante, les effets sont moindres mais l'immigration provenant des collectivités rurales environnantes aura un certain effet sur le marché locatif.

L'amélioration des conditions de financement donnant accès à la propriété

Les informateurs clés ont indiqué que la baisse des taux d'intérêt hypothécaires a eu davantage de répercussion sur les locataires et le logement locatif que l'introduction du programme de la mise de fonds à 5 % de la valeur de la maison. Compte tenu du fait que beaucoup de ménages locataires, en particulier les ménages monoparentaux et les personnes seules, disposent d'un faible revenu et de peu ou pas de moyens d'épargner pour amasser une mise de fonds en vue de l'achat d'une maison, l'option de la mise de fonds à 5 % n'a pas d'effet. On estime que c'est particulièrement le cas dans les collectivités en déclin et, dans une certaine mesure, dans les localités en stagnation. De plus, il semble que la faiblesse des taux d'intérêt ait favorisé un environnement plus stable à long terme pour la propriété, facilitant ainsi aux ménages nouvellement formés l'accession immédiate à la propriété et, dans le cas de certaines familles établies, le passage de la location à la propriété dans un délai plus court.

Arrêt de la construction de logements sociaux

L'arrêt de la construction de nouveaux logements sociaux a eu un effet variable sur l'offre de logements locatifs varie selon le type de collectivités. Dans les localités de type expansion-récession, les répercussions sont minimes. Il y a assez de nouveaux aménagements pour répondre à la demande générale, mais les informateurs clés reconnaissent tout de même qu'il y a encore des ménages qui éprouvent de sérieux problèmes d'abordabilité. Ces commentaires sont confirmés par les données du recensement, qui montrent qu'une proportion croissante de locataires consacrent plus de 30 % de leur revenu à leur loyer. Selon les informateurs clés, dans les collectivités en déclin et, dans une certaine mesure, dans les collectivités en stagnation, le gouvernement, en tant que fournisseur de logements locatifs, complique la tâche des propriétaires privés d'immeubles locatifs désireux d'attirer et de garder les meilleurs ménages à faible revenu. Dans ces collectivités, les listes d'attente des logements sociaux se sont allongées considérablement. Comme le secteur privé n'a pas été capable de construire des logements locatifs à un coût permettant aux ménages à faible revenu de supporter les loyers du marché, il semble exister un problème découlant d'un manque de construction de logements sociaux.

Débouchés pour la production de logements locatifs

Dans les petites villes, il n'y a que peu de débouchés en ce qui concerne la production de logements locatifs. La conjoncture économique limite les possibilités, surtout dans les collectivités en stagnation ou en déclin. Les risques financiers sont élevés et on constate une faiblesse de la demande de la part d'un segment capable de payer les loyers du marché. L'émergence du marché des personnes âgées, désireux d'obtenir des logements neufs, plus accessibles et de meilleure qualité, constitue une occasion pour les collectivités dont l'économie est stagnante. Dans les collectivités de type expansion-récession, la production de logements locatifs neufs est directement liée au rythme de l'activité économique. Lorsque de nouveaux logements sont en cours de développement, le secteur privé est prêt à accroître l'offre de tous les types de logements et, à toutes fins pratiques capables de le faire, en particulier lorsque ces nouveaux lotissements attirent de nouveaux ménages et des travailleurs dans la collectivité. Ces collectivités éprouveront des difficultés lorsque les grands travaux d'aménagement ralentissent et qu'il y a offre excédentaire de logements locatifs pendant une certaine période de temps.

Il est hautement improbable que les gouvernements redeviendront des fournisseurs directs de logements locatifs sous la forme de logements sociaux. Certains informateurs clés ont suggéré que les pouvoirs publics collaborent avec le secteur privé de deux façons. Premièrement, il s'agirait d'améliorer la situation locale par des investissements visant à stimuler la collectivité et la région et par des mesures visant à garder à leur plus bas niveau le coût des terrains et l'impôt foncier visant les propriétés locatives. Ces deux derniers points sont considérés comme des éléments quelque peu restrictifs. Deuxièmement, il s'agirait de verser davantage de suppléments au loyer directement aux propriétaires-bailleurs afin de mieux répondre aux besoins de logements des ménages à faible revenu de la collectivité.

La production de logements locatifs sera également tributaire du financement. Sur 25 propriétaires d'immeubles locatifs interviewés, huit ont indiqué avoir déjà éprouvé de la difficulté à obtenir du financement. On déplore les exigences en matière de mises de fonds (25 à 35 %) pour les immeubles de quatre logements ou plus. On fait également état d'une perception selon laquelle les normes nationales d'évaluation des demandes de prêt sont appliquées aux situations locales et des décisions prises à ce niveau, renversées. On juge qu'il serait nécessaire de mieux comprendre les situations locales et leur marché du logement locatif, ce qui serait mieux accompli par les prêteurs locaux au cas par cas.

Introduction

This report presents the findings of an investigation of how the rural rental market in Atlantic Canada has changed from the early 1990s to today. The term "rural" is used to include all incorporated communities of less than 10,000 in population, plus all unincorporated areas, as defined by Statistics Canada. The study assesses the impact of a variety of changes in supply and demand variables, particularly the changing rural economy, out-migration from rural areas, the termination of new construction of social housing except on First Nation Reserves, the decline in mortgage interest rates, and the implementation of the 5% down payment program for home buyers. In particular, this report provides an understanding of the climate for investment in rental properties, identifies opportunities for government agencies to act on opportunities for community support of new construction or existing social housing, and assists underwriters to understand the risks associated with multiples in these areas.

Objectives

The specific objectives of this report are to:

1. Profile rural renters and rental supply in 1996 and offer comparisons to the 1991 profile, including a measure of affordability. This profile in Atlantic Rural areas and Atlantic Small Towns, and how they have changed, is compared to the profile for Canada, Atlantic Canada, Atlantic CMAs and Atlantic CAs, to provide some measure of the uniqueness or similarity of that market.

2a. Develop an understanding of the impact of the changing rural economy on both the supply of and demand for rental housing in rural areas, including the impact of rural out-migration.

2b. Develop an understanding of the combined impacts of declining mortgage interest rates and the 5% down payment program on the demand for rental housing in rural areas.

2c. Develop an understanding of the impact of the termination of new social housing construction on the supply of rental housing in rural areas.

3. Describe the state of the current rental market as it relates to opportunities for private sector investment, community-based investment, and government intervention to meet any existing gaps in the rental marketplace, and to improve decision-making related to mortgage insurance and underwriting of multiples.

Context

The foundation upon which this research is based is a 1993 report on the rural rental market in Atlantic Canada. (Ashton and Bruce, 1993) A number of critical issues about the context and environment in which rental housing is provided emerged from that work, including:

- There are relatively fewer renter-type households in the rural areas of Atlantic Canada, posing demand challenges for suppliers. It was also noted that renters not appropriately housed (both in terms of affordability and quality) are increasingly lower income households living in private sector rental units.

- Most suppliers of, or investors in, rental housing have an awareness of three broad categories of renters (i.e., seniors, those temporarily renting while preparing to move to ownership, and permanent). However, they admitted to a relatively low level of understanding of the characteristics of those renters (e.g., differences between seniors that are well off financially and those requiring assistance) and their respective housing requirements.

- Few investors critically analyzed the factors (supply or demand) which affect their own housing portfolio, let alone the wider concerns that might be affecting housing in the community. Additionally, few expressed interest in gaining a better understanding of housing and its supply and demand factors. Their understanding of their local rental market is predominantly subjective, while informed by some information about major external factors of change (pre-dominantly economic base related).

- Government actions related to housing were not well understood by local investors in terms of how their decisions were made, what issues were resolved and how many other concerns were created, as a result of government providing housing.

- The ability of the private sector to meet the affordability needs of the lowest income groups is extremely limited both in terms of a willingness or desire to do so, and from a financial point of view where portfolios are small with limited room for low rents. However, investors concluded that current local and provincial government actions (i.e., policies, programs and plans) at that time were falling short of meeting housing needs in rural and small town areas.

- The report concluded with a call for action involving partnership development and community based action to more appropriately meet the general housing needs of communities and the rental housing needs more specifically.

It is within this context that a more current investigation was undertaken, to determine how conditions and factors have changed, and to examine opportunities or potential for supplying rental housing to meet local housing needs.

Research Methodology

Each phase of the research required a different methodological approach to complete the tasks.

Phase One

The first phase of the research involved the development of a profile of rural renters. The two specific tasks were to select eight incorporated census subdivisions (municipalities) of less than 10,000 population for case study work based on their profiles, and to compare the 1991 and 1996 profiles of renters using custom census data.

A four step cluster analysis method was used to identify different types rural housing markets, using a variety of census variables including incomes, age structure, and household size and type. The cluster analysis yielded two products: a delineation of different types of rental markets, and a listing of communities within the different rental markets, from which communities were selected for case study work.

The 1996 census data for all census subdivisions (CSD) (except the census metropolitan areas and census agglomeration areas) was converted into a percentage figure for each of the following variables:

- incidence of low income (a potential demand characteristic)
- percent of families that are single parent families (a potential demand characteristic)
- percent of families with no kids (a potential demand characteristic)
- percent population over the age of 65 (a potential demand characteristic)
- percent of dwellings rented (a supply characteristic)
- percent non-single detached units (a supply characteristic)

A "k-means cluster analysis" method was used to group the CSDs into four similar groups, with the following characteristics:

- Group 1, mostly mid-size to larger small towns.
- Group 2, mostly small to mid-size small towns, and mostly more distant from the largest urban centres in their provinces.
- Group 3, mostly unincorporated places, but near to small towns or larger centres.
- Group 4, mostly unincorporated places, but more distant from the largest urban centres in their provinces.

Eight different communities were selected from Group 1 for analysis as they were more likely to have the most dynamic rental markets, and would have important market connections to their immediate rural countryside. The eight communities selected were: Happy Valley-Goose Bay, NF; Clarenville, NF; Port Hawkesbury, NS; Middleton, NS; Shelburne, NS; Perth Andover, NB; Tracadie-Sheila, NB; and Alberton, PEI.

Special tabulations from the 1991 and 1996 census on renter households in each of these communities were developed to provide an initial overview of local renter and rental housing characteristics.

Renter household characteristics selected for analysis included:

- percent of gross income spent on rent (less than 15%; 15 - 19%; 20 - 24%; 25 - 29%; 30 - 34%; 35 - 39%; 40 - 49%; and 50% and over)
- renter household type (husband-wife families; lone parent families; single persons; all other families)
- age of renter household maintainer (15-19; 20-29; 30-64; 65 Years +)
- renter household income (less than $19,999; $20,000 - $39,999; $40,000 and over).

Renter household characteristics selected for analysis included:

- structural type of rental dwelling (single-detached; semi-detached; multiple; other)
- condition of rental dwelling (requires regular maintenance; major repairs; minor repairs)
- period of construction (post 1991; 1981 - 1990; pre 1980).

A small case study on each community is provided in Appendix A.

Phase Two

The second phase involved a detailed literature review from the post 1990 period on the changing rural economy, and its impacts on rural housing markets in general and on rental housing markets specifically. The literature review consisted of published and unpublished materials, books, articles, web sites, and other relevant sources.

Phase Three

The third phase involved the development of local rental market case studies. Key informant interviews with eight individuals in eight Atlantic communities were conducted. The key informants included private landlords or their property managers, real estate agents, social housing program manager from government, non-profit housing suppliers, provincial housing representatives, lending or mortgage officers at financial institutions, community / economic development officers or town managers. The interviews were conducted by telephone, and some informants were provided with the questions ahead of time by fax if they so requested. The questions focused on three broad sections:

- Rental market conditions, including information about the renters themselves and about the suppliers themselves, as well as any noticeable changes since 1990.
- Impacts on the rental market, including the impact of the changing economy and out-migration, the impact of declining mortgage interest rates and the 5% down payment program, and the impact of the termination of new social housing construction.

- Recommendations for stakeholders; including suggestions for policy and market analysts; private sector interests; government program administrators; mortgage insurance and underwriting administrators; and others.

The key informant interview guide is provided in Appendix B.

Rental Housing, the Economy, and the Rural Environment

This section provides a summary of two important bodies of literature: that which describes the changing nature of the rural economy, and that which describes the rural rental market. It is important to note that there has been very little published information about rural rental housing in a Canadian context in recent years; thus the literature review draws heavily on American and United Kingdom sources.

General Conditions Affecting Rural Communities

A new rural economy is a reality in Canada. The resource-based sectors, such as agriculture, forestry and fisheries, are no longer the main source of wealth generation in an increasing number of rural communities. The service sector has replaced the resource sector as the largest employer, accounting for two-thirds of employment. Small businesses, in particular those in the service sector, dominate business operations in rural Canada.

Inputs and services for primary resource activities are disappearing from rural communities, as these become increasingly linked to "upstream" economic activities in urban communities. Changes in agriculture provide an illustrative example. Farm operators now purchase feed, seed, fertilizer, equipment, labour and other inputs from the "upstream" sectors located in urban centres. New technology, specialization of farm production and dependence on support inputs and services have strengthened the links with urban service providers at the expense of rural and small town Canada. "Downstream" of the farm, product markets are now delinked from the rural community. Products are increasingly travelling to urban centres for the value-added stages of the marketing process. Livestock markets, abattoirs, milk plants, food processors, grain elevators, grading stations and wholesale outlets are now more likely to be located in urban centres.

The rural population and its economy are changing as urban communities expand into rural areas and urban minded people take up residence in the countryside. These new rural residents and the rural residents who are not earning an income from primary resources tend to have different objectives and value systems than those earning an income from primary resources. The declining influence of the natural resource sector, and its replacement by service-oriented economic and social influences, poses major consequences for rural governments and rural organizations.

Furthermore, there are direct links between human capital, social capital, and community capacity. This makes human capital the fundamental building block for community sustainability. However, the ongoing economic and demographic changes described below at the community level reduces the capacity of communities. When community leaders are pre-occupied with maintaining the mill, or keeping the mine open, or saving the fishplant, there is less time to devote to smaller issues that contribute to community cohesion. Municipalities face tighter budgets as provinces attempt to download more costs and responsibilities to the local level. This leaves fewer dollars for grants to social service organizations or other activities that build social capital. And it leaves community leaders with less time and resources for activities that contribute to community cohesion such as community festivals, parades, and parks.

Listed below are some of the keys forces shaping our rural communities today:

Resource Related

- the real price of nearly each commodity generated from natural resources is declining
- the substitution of capital (i.e. technology) for labour
- inability to increase other exports fast enough to compensate for the decline in labour needed to export traditional (rural-based) natural resource commodities
- restructuring of ownership in large natural resource processing industries resulting in rationalization and fewer jobs
- the significant decline in employment and income in the groundfishery since the moratorium of the early 1990s
- increased mechanization of natural resource extraction requiring fewer workers
- trade liberalization is weakening institutional arrangements (co-operatives, pools, and marketing boards) established to enable persistence of rural enterprise and community
- the detachment of agriculture from the rural sector
- non-farm opportunities - non-farm income and asset values have risen
- changes in agricultural programs
- smaller farms cannibalized by larger farms who can use financial leverage
- ecosphere experiencing irreversible damage
- less senior government involvement, but more regulation/licensing
- rural no longer just farm or resource people

Community Related

- social diversity created by a complex rural occupational structure and the presence of a major residential population
- the loss of autonomy and the marginalization of rural communities where development is driven by external factors
- the emergence of key issues related to the use of rural space; the countryside as an urban recreation centre and the rural areas as environmental havens
- the emergence of a new rural culture; a cultural homogeneity driven by the global society rather than traditional local specifics
- arrival of new rural residents in search of a different lifestyle, including entrepreneurs wishing to take advantage of rural amenities and services
- weakening of the political power available to rural residents as population shifts occur to more rapidly growing urban and exurban areas
- capacity of communities and regions to foster enterprise and regional economic development is challenged by downloading of responsibilities without resources

Economic Related

- a growing demand for "niche" products and services

- ecotourism enterprises (interpretive, leisure, cultural activities, guiding, etc., relating to nature and natural attractions)
- development of the consumer market (commodification of everyday life/culture)
- relocation of professional and technical consulting and business services which can be carried out on the Information Highway
- resource industry mechanization
- industrial concentration
- changes from unemployment insurance to employment insurance undermine the viability of much seasonal employment
- de-regulation and privatization of transportation and communications are restructuring infrastructure necessary for community viability
- restricted availability of investment capital limits development and diversification opportunities
- earnings by rural households and business now include many more sources
- an increase in the concentration of earnings at the top and the numbers of low income households at the bottom
- growing importance of micro-enterprises and home-based employment

Demographic Related

- deepening rural poverty
- aging population will require expanded home-care, health and social services
- aging rural communities present extreme challenges for service provision, labour force availability and leadership / volunteer capacity
- the twin demographic processes of lowered birth rates and a history of substantial outmigration, particularly of youth and young families

There is very little evidence in the rural economy or rural restructuring literature about the changing state of the housing market (and the rental market specifically) per se. There are, however, some important inferences or connections which can be made between the points described above and the resulting impacts on housing. These are summarized below in the form of "push" factors and their resulting impact on either or both increasing demand for rental and/or improving favourable conditions for rental investment, and "pull" factors and their resulting impact of either or both lessening demand for rental and/or reducing favourable conditions for rental investment.

Push Factors

There are several general trends or conditions which are contributing to a more favourable environment for rental housing investment, or increasing the potential demand for rental housing. As the rural economy continues its shift away from a resource-based economy to other economic activities (including seasonal and year-round tourism, information technology, and small scale home-based activity), the people employed in these new activities may require rental housing on a year round or seasonal basis. As the rural occupational structure becomes more complex and diverse, so to does the potential for a more migratory and less permanent population, who are more likely to demand rental housing. This is thought to be especially true with the relocation of professional and technical consulting and business services to small towns and rural areas, which can be carried out on the information highway.

Finally, there are potential increases in demand for rental housing based on a key demographic issue. The aging of our society suggests that as the population ages, the demands for different types of housing beyond the single detached, owner-occupied house will increase, especially in small towns and rural areas as people wish to remain in communities where they grew up, or to retire in these locations. They will want quality, low maintenance housing with services and amenities.

Pull Factors

At the same time there are several trends or conditions which are contributing to a less favourable environment for rental housing investment, or decreasing the potential demand for rental housing. The ongoing substitution of capital (i.e. technology) for labour in many of the resource-based industries which contributes in part to an out-migration of households will reduce the population base and lessen the potential demand for rental housing. When this is combined with the changes brought about in the employment insurance program, living in rural communities and small towns where generating a reasonable household income is more problematic, there is likely to be less demand for housing in general and for rental specifically. With the very low birth rates and rates of household formation, there are fewer young families and households in rural areas seeking housing in general and possibly rental housing specifically. In addition, the centralization of government services (such as health and education) in larger centres makes living in rural communities and small towns somewhat less attractive, thereby further reducing potential demand for rental housing.

Rental Housing Affordability Issues

The Housing Assistance Council (HAC) in the United States has been monitoring housing issues in rural parts of that country. It notes that in 1970, there were many more affordable rental units than there were low-income households nationwide. Since the mid 1980s, however, this has reversed. There are now more than two low-income renter households competing for each affordable unit. (Housing Assistance Council, 1999a)

HAC also notes that rural rental markets are generally less expensive. Housing costs for both owners and renters are generally higher in metropolitan and urban areas than they are in nonmetro and rural areas, so a greater proportion of metro/urban residents are "cost burdened". A household is cost burdened when it pays 30% or more of its monthly income for housing-related costs. (Housing Assistance Council, 1999a)

Housing cost burden is a growing problem in rural America. Among renters in rural areas, 2.8 million (32%) pay more than 30% of their income for housing costs. This contrasts with 18% of rural homeowners similarly cost burdened. Thus, rural renters are almost twice as likely to face housing cost burden as rural homeowners. (Housing Assistance Council, 1999c)

Housing affordability is a particular problem for low income rural households, for whom high housing costs often preclude other basic necessities, such as food, clothing, and health care. According to the 1990 Census, 80% of rural renter households earning less than $10,000 per year paid more than 30% of their income for housing in 1989. Three of every five rural renter households earning less than $20,000 per year were cost burdened. (Housing Assistance Council, 1999a)

Helgeson (1993) points out that the cost of (rental) housing production has been increasing faster than people's incomes, particularly in rural areas. This has the effect of making rental housing less affordable as higher rents must be charged by developers. Furthermore, tax laws encourage depreciation of rental properties and the sale of rental properties for capital gains purposes. This has led to lower quality units for the rent paid, and higher rates of turnover in ownership of rental properties, resulting in tenure uncertainty for more rural renter households.

Rental Housing Supply Issues

Quality

Rural renters face significant housing quality problems. Ten percent of rural renter households live in seriously or moderately inadequate housing, compared to 6% of rural owner households. (Housing Assistance Council, 1999c)

HAC (1999b) identifies several reasons why the nonmetro elderly do not leave their crumbling homes. The primary reason is that, unlike in cities, most nonmetro area elderly-headed households (over 80%) own their homes. Often the elderly prefer to remain in their own single-family homes as long as their health allows and they are uninterested in apartment living. Second, the lack of viable alternatives in the form of apartments, congregate projects, or intermediate care facilities compounds the problem. Another factor is the lower real estate values prevailing in most rural areas. Lower real estate worth in nonmetro areas means that older people have less ability to convert their equity into retirement funds by selling their homes.

Other studies completed by HAC find that well over two million nonmetro households live in physically deficient housing. These units suffer from moderate to severe physical problems related to plumbing, heating, electricity, maintenance, hallways, or kitchen. Thirteen percent of nonmetro renters suffer these conditions, roughly the same proportion of substandard units as in central cities. In rural areas under 2,500 population, fully 17% of renter households live in severely or moderately physically deficient homes. (Housing Assistance Council, 1999c)

Type

A major problem facing those in the rural rental market is the lack of choice in terms of rental housing. Gallant (1992) identified that housing options in rural communities are severely limited.

Gallant's case study of North Rustico, Prince Edward Island, indicated that 80% of the community felt there was a need for more types of housing. This included seniors housing, low income rental, and apartments. A further 78% said they would be supportive of rental apartments, but scale, size and location would be important.

HAC (1999c) also identified that most rural housing, including much rental housing, is single detached units. Only 11% of rural households live in structures with two or more units, but slightly less than one-third of urban dwellers live such units. These observations are echoed by Steele (1993). She suggests that in some communities there may be an incomplete housing market where some types of housing are non-existent, or, when they are present, are not available for rent.

Bradbury (1993) identifies this as a particular problem in single industry communities. Most of these are small towns or rural communities with a very small housing market. In some cases the company may in fact own all or most of the housing stock, and lease or rent to workers and their families - in an imperfect market environment. Bradbury also notes that there is very little discussion of rental housing per se in the literature on single industry communities, other than the identification that company owned housing is provided in various ways to different households under different types of arrangements.

The 1993 American Housing Survey found that a total of 1.3 million rural renter households were living in federally subsidized housing, encompassing programs under both the U.S. Department of Housing and Urban Development (HUD) and the U.S. Department of Agriculture's Rural Housing Service. Thus, approximately 15% of rural renter households are living in federally subsidized housing, compared to 17% of urban renters in subsidized housing. (Housing Assistance Council, 1999c)

Location

One of the most important supply factors in a housing market is that of location. If units are poorly situated in a community, they will not be used. Ziebarth, Prochaska-Cue and Shrewsbury (1997) researched housing availability and affordability in 589 Midwestern United States communities. They found there were significant differences in the housing market situation based on community location and growth. They also noted that there were many key factors influencing peoples choice of location. These included proximity to urban areas for those seeking jobs, family, and amenity value.

Availability and Vacancy Rates

Overcrowding has declined in many rural areas, but still affects a significant number of rural households. The American Housing Survey (AHS) defines overcrowding as having more than one person per room. About half of the 600,000 overcrowded rural households are renters. (Housing Assistance Council, 1999c)

Research completed by Ziebarth, Prochaska-Cue and Shrewsbury (1997) reveals that while availability of homes for sale is limited, there is significant variance in rental vacancy rates. These rates range from a low of 6% in growing communities to 11% in non-growing communities. Although variance exists in the figures, availability is an issue of considerable importance, especially when one considers the relatively poor quality of the stock, and the fact that landlords take advantage of this lack of choice and vacancy by avoiding property maintenance and upkeep.

Nelson (1994) found that since the early 1980s the United States has seen severe and growing shortages of affordable units available to renter households with incomes less than 30% of the community medians. This translates into a requirement that rents be less than half of the so-called "affordable value" for rent, if these households are to indeed have affordable rental units. Nelson suggests that the best way to ease this problem is through direct rent assistance to tenant households as opposed to supply side subsidies. She also suggests that these housing units should somehow be placed in non-speculative or social ownership, such as with private non-profit groups or on a resident limited-equity basis.

Rental Housing Demand Issues

At a very general level, it has been observed that the decision to rent, or the "demand" for rental housing, is taken as a default action by a household. Most households prefer to be homeowners and thus the purchase of a home is often described as an "active" decision. (Steele, 1993) In the same context, however, Steele also notes that increasingly over time the potential population of renters is growing both in volume and complexity as there is an increase in household splitting (separated and divorced, single parent families, young singles alone or with other singles, widows and widowers). This has the effect of increasing the complexity of demand for housing other than owner-occupied or single detached dwellings. Most of this increase in demand will be in the form of rental housing.

Varady and Lipman (1994) identify six distinct groups, each with their own needs, who make up the rental population. They determined these groups by utilizing discriminant analysis to analyse results of a 1991 survey of 2,000 renter households in the United States. The six groups identified were: families moving up the housing ladder; lifestyle renters; post-secondary graduates starting out; black renters (dominated by single parent families); elderly life cycle renters; and struggling blue collar workers. This confirms a widening of the rental market demand from years past. In fact, one in seven rural households are renters in the United Kingdom. These rural households are also much more likely to be long term renters than those in urban areas. (Beving and Sanderling, 1996)

Goodman (1999) provides a slightly more simplified categorization of renters. He suggests three types of broad markets are served by multifamily rental housing: those incapable of owning; transient populations; and wealthy renters-by-choice. He sees rental housing, particularly in rural areas, as an important tool for meeting housing affordability needs and especially the needs of the growing population of the elderly.

Beving and Sanderling (1996) also feel that those in private rental accommodation would likely live in social housing if they were in an urban area which offered that option. The stock of rental units is mostly single detached dwellings, meaning that non-family (single) accommodation is lacking. This is caused partially by the lack of demand as young people are often more urban oriented.

The Community Context

When discussing issues relating to the rural rental market, Halseth and Rosenberg (1995) feel that the majority of the Canadian literature focuses on the urban landscape, or broad urban-rural comparisons, which are not helpful for understanding local rural dynamics. Their study focussing on cottage conversions in the rural landscape, argues that the rural-recreational countryside is different from other types of rural and small towns themselves. Rural housing conditions are varied and complex. While they identify a few key statistics, including the high percentage of ownership in rural areas, higher degrees of need for repair in rural areas, and an inverse relationship between population size and homeownership rates, they also identify that the community context is extremely critical. Halseth and Rosenberg note that there is a lack of understanding some of the urban submarket phenomena in a rural context (such as loft conversions, gentrification, second-stage housing, and much more).

Helgeson (1993) sees a great need for a solution to the housing problems which have been created due to development without a long term plan for the community. Without a community plan in place there is no way to permit rental apartment housing to move forward. This, coupled with the lack of institutional networks in rural areas, makes the inception of housing programs and initiatives very difficult. The result is a shortage in suitable housing, as noted by Gallant (1992) in her study of a rural Prince Edward Island community.

NIMBY Issues and Rental Housing

The "Not In My Back Yard" (NIMBY) syndrome is a collective opposition taken against proposed change (both physical and social) to the local environment. NIMBY protest is based on the belief that change will have a negative effect on the character, socioeconomic status, or quality of life in a neighbourhood. (Rural and Small Town Programme, 1993) While the full impact of NIMBY on rural rental housing in unclear, Lee et al., (1999) feel that NIMBYism is the biggest barrier to multifamily rental housing development in most communities, particularly those developments which include subsidized units.

Krueckeberg (1999) examines the history of renting in the United States and surmises a long standing policy bias towards homeownership. He goes so far as to suggest that too much social significance is given to owning. By this the implication is made that renting is a social problem, associated with "problem" people such as drug addicts or pregnant teens, and that renters are perceived as nonresidents in a community of owners. This myth has fuelled much of the NIMBYism associated with some types of renters and rental properties in some communities.

However, Follain (1994) disagrees with this, suggesting that little is known about the factors which influence the supply of multifamily rental housing and how it is financed. The impacts of tax policy on residential rents, means of detecting financial stress on publicly insured multifamily properties, and on the performance of public non-profits in delivering and maintaining affordable multifamily housing are lacking. When one considers all the factors influencing multifamily rental housing, it seems unreasonable to say that NIMBYism is the biggest barrier.

Demographic Characteristics of Rural Renters

Rossi and Weber (1994) used regression modelling to analyse the results of surveys from many sources. These results showed that renters are less likely to be married or widowed, and that their marriages are more likely to have been interrupted by a period of separation. As well, renters were more likely to have smaller households with fewer adults, and fewer earners per renter household. Further research concluded that renters were less likely to have credit or loan debt, their total amounts owed were less than those of owners, and they were more likely to have bills more than 90 days overdue. Renters were found to belong to fewer community or national organizations, fewer youth groups, but were more likely to spend evenings with neighbours, co-workers and friends.

HAC (1999c) found that racial and ethnic minorities in nonmetro areas were less likely to be renters than their metro counterparts, but compared to white nonmetro households they are almost twice as likely to rent. While 26% of white nonmetro households are renters, 41% of African-American households and 42% of Hispanic households rent in nometro areas.

The American Housing Survey (AHS) provides a more detailed portrait of renter households in America's small towns and open countryside, which constitute truly rural areas. The 1993 AHS shows that 49% of young households (household heads under thirty-five years old) are renters. Single parent households are a growing demographic group in all regions of the United States, and they comprise one-tenth of all rural householders. Most of these single parent households are headed by women, with over one-third having incomes below the poverty level. The AHS notes that 51% of single parent households are renters. (Housing Assistance Council, 1999c)

According to Ziebarth, Prochaska-Cue and Shrewsbury (1997), the general literature suggest that more rural households live in inadequate housing, have lower incomes which makes affordable housing difficult to obtain, and live in housing that is unsuitable to their needs. A great proportion of low income renters have affordability problems, especially in more isolated communities where there is often a severe mismatch between supply and demand.

Factors Influencing The Rental Market Dynamic

The key factor influencing the rental market in small communities appear to be: local economic context; affordability; local planning; taxation; and rental property ownership structure.

A case study in rural New York State showed that one of the greatest factors influencing renters is affordability. In many cases suitable housing does exist, but not at attainable prices. One of the attractions for poor people (mostly welfare recipients) is the inexpensive rental housing that becomes available after a middle-class exodus takes place when a major employer leaves town. Critical factors explaining migration of the poor are inexpensive housing and pre-existing social ties. (Fitchen, 1995)

Helgeson (1993) identifies another common problem for small rural communities: the lack of a long term plan related to housing and housing development. This takes place due to the reliance on volunteers/part-time officials, who often lack the skills and/or resources and time to plan for housing issues. Rural residents are also faced with a number of factors which hinder their ability to attain suitable housing, including: lack of access to banking services; high competition for land use; absentee ownership; and inconsistent enforcement of codes and regulations.

Beving and Sanderling (1996) feel that the rural rental market in the United Kingdom is not likely to expand. Changes to capital gains taxes are not likely to induce expansion, and any program of incentives would have to be sustained over a long period of time in order to encourage commitment of capital to rental. Owners are renting their properties because they do not wish to sell, and simply want their land to be inhabited and maintained to a reasonable level.

Follain (1994) identifies that developing a good understanding of the factors influencing the supply of multiple unit rental housing is difficult. The units are typically owned by a wide variety of organizations, each is motivated by different objectives. The private sector is motivated by profit, but it may be comprised of one or more large companies as well as smaller companies or individuals. The public sector, both government and community-based organizations, are motivated by having revenues meeting expenses, maintaining minimum standards, and providing a greater social good. When you add to that significant variances in operating costs, property and income tax assessments, the variable costs of rehabilitation and conversion versus building new, and the impact of zoning and land use regulations, all of which vary from community to community, it makes it difficult indeed to generalize about the nature of rental supply and the factors which most strongly influence it.

Summary of Key Issues from the Literature

Emerging from the literature are some important contextual issues which help to shape our understanding of the case study locations and the potential policy directions which might assist appropriate rental housing investment:

- Understanding the local community context is important, particularly in terms of location and economic situation. It is difficult to generalize the situation across all rural areas.
- There is a need to understand how changes in urban submarkets (conversions, accessory apartments, etc) are happening in the rural context.
- The changing rural economy is providing both push and pull elements related to supply and demand of rental housing.
- The nature of renter demographics and their subsequent demand for rental housing is changing and becoming more complex, primarily as a result of household splitting. This has resulted in many different types of renter households requiring different types of housing.
- Rural areas generally have high ownership rates, with limited choices of quality, type and tenure options.
- There is increasing competition for affordable rental units, as income growth is limited and some communities have faced economic downturns.

- Rural renter households are more likely to have affordability problems compared to their rural homeowner counterparts.
- Vacancy rates are generally higher in economically depressed communities.
- There is a general lack of housing planning and institutional networks in rural areas which creates problems for those wishing to supply rental housing.
- The changing policy environment related to capital gains exemptions and favouring disinvestment in rental poses problems for generating new supply of rental housing.

The next section examines information about Atlantic Canadian renters from the 1991 and 1996 censuses to provide an initial understanding of the similarities and differences between renters in rural areas and small towns and those in larger communities.

The Changing Supply and Demand Characteristics of the Rural Rental Market in Atlantic Canada

In this section an analysis of custom 1991 and 1996 census data on renter household supply and demand characteristics is provided. The data universe for analysis is all renter households. Comparisons are made across different geographic levels, ranging from all renters in all of Canada, through the spectrum to all renters in rural Atlantic Canada. The six geographic levels of data presentation and analysis are:

- **Canada**. All renters in Canada.
- **Atlantic Canada**. All renters in Atlantic Canada.
- **Atlantic Census Metropolitan Areas (CMAs)**. All renters living in Halifax CMA, Saint John CMA, St. John's CMA.
- **Atlantic Census Agglomerations (CAs)**. All renters living in Cape Breton CA, New Glasgow CA, Truro CA, Kentville CA, Charlottetown CA, Summerside CA, Moncton CA, Fredericton CA, Bathurst CA, Campbellton CA, Edmundston CA, Corner Brook CA, Gander CA, Grand Falls-Windsor CA, Labrador City CA.
- **Atlantic Small Towns (ST)**. All renters living in all incorporated urban centres of less than 10,000 population.
- **Atlantic Rural**. All renters living in all unincorporated rural areas outside of the Atlantic CMAs, CAs, and Small Towns.

An analysis of the recent changes in renter and rental characteristics provides a starting point for discussing current and future issues in each of the case study communities, and for the region as a whole.

Table 1 shows the number and percentage of households which are renters, for 1991 and 1996, for each level of geography.

Table 1 - Number and Incidence of Renter Households (1991 & 1996)

	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
1991 renter households	3,701,955	208,145	84,485	62,400	32,460	38,700
1996 renter households	3,884,560	225,080	86,920	68,670	35,250	46,085
1991 incidence of renter households	37.9	26.4	38.7	28.6	33.2	11.4
1996 incidence of renter households	36.8	26.9	37.0	30.0	34.1	12.4

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

The number of households which are renting, in absolute terms, has increased in Canada as a whole and at all geographic levels in Atlantic Canada, between 1991 and 1996. However, there are important differences in the relative number of households which are renting in 1996 compared to those in 1991. Although there were about 180,000 more households renting in

Canada in 1996, the percentage of all households which are renters fell 1%. This is in contrast to an increase of approximately 17,000 renter households, or 0.5% more of all households renting, in Atlantic Canada. Although the percentage of all households in Atlantic CMAs which are renting fell almost 2% in this time period, it has increased in the CAs by 1.4% and in the small towns and rural areas by 1% each. In short, renting as a tenure choice is increasing (marginally) among households in smaller communities in Atlantic Canada.

It is important to note as well that the percentage of households which are renters is more in small towns of Atlantic Canada (at one-third) than it is in the CAs as a whole (at 30%), and almost as much as in the CMAs as a whole (at 37%). The incidence of households which are renters is significantly less in rural areas, at just more than 12%.

Supply

Supply characteristics of renting, as captured in the census, are derived from how respondents categorized the type of dwelling unit they live in (a house, a multiple unit structure, etc), the relative condition of that dwelling unit, and the relative age of that dwelling unit.

Tables 2A and 2B show the range of rental dwelling types for 1991 and 1996 respectively.

Table 2A - Structural Type of Rental Dwellings (Percent Distribution 1991)

Structural Type	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Single-detached house	15.1	22.7	10.8	20.3	24.4	59.9
Semi-detached or double house	4.6	8.1	5.9	10.5	12.0	5.9
Multiple Households	78.9	66.6	82.1	66.6	60.4	28.3
Other	1.4	2.6	1.2	2.6	3.2	6.0

Source: Statistics Canada, custom tabulations from 1991 census.

Table 2B - Structural Type of Rental Dwellings (Percent Distribution 1996)

Structural Type	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Single-detached house	15.0	23.4	10.0	20.4	24.6	61.4
Semi-detached or double house	4.2	8.0	6.0	9.9	11.2	5.8
Multiple Households	79.6	66.1	82.8	67.1	61.7	26.8
Other	1.2	2.4	1.2	2.5	2.4	6.0

Source: Statistics Canada, custom tabulations from 1996 census.

The single detached house is the dominant rental dwelling type in rural areas of Atlantic Canada, where they make up more than 60% of the rental units. In Atlantic small towns about 25% of renters live in a single detached house, more than in any other setting besides rural. Multiple unit dwellings of more than two units are home to slightly more than 60% of renter households. The composition of rental supply by structural type has not changed much between 1991 and 1996, at any level of geography.

Tables 3A and 3B show the quality of the rental stock for 1991 and 1996 respectively.

Table 3A - Condition of Rental Dwelling Units (Percent Distribution - 1991)

Condition of Dwelling Unit	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Regular maintenance needed	68.5	67.0	68.7	68.8	66.7	59.3
Major repairs are needed	8.9	9.3	7.7	8.7	9.5	14.5
Minor repairs are needed	22.6	23.6	23.6	22.6	23.8	26.2

Source: Statistics Canada, custom tabulations from 1991 census.

Table 3B - Condition of Rental Dwelling Units (Percent Distribution - 1996)

Condition of Dwelling Unit	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Regular maintenance needed	67.3	65.8	68.5	66.8	65.0	57.4
Major repairs are needed	9.2	9.5	7.5	9.1	10.2	14.0
Minor repairs are needed	23.5	24.8	24.0	24.2	24.8	28.6

Source: Statistics Canada, custom tabulations from 1996 census.

More of the rental stock in rural areas and small towns is in need of major repair than in the larger urban centres of Atlantic Canada. There has been a small, marginal increase in the percent of rental units requiring major repairs in Atlantic small towns, between 1991 and 1996. There has also been a marginal increase in the percent requiring minor repairs in all areas, including both small towns and rural areas.

Tables 4A and 4B show the relative age of the rental stock, using the period of construction, for 1991 and 1996 respectively.

Table 4A - Period of Construction of Rental Units (Percent Distribution - 1991)

Period of Construction	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
1991	0.4	0.6	0.6	0.6	0.6	0.6
1981 to 1990	18.1	19.9	19.9	19.8	18.1	21.8
Prior to 1980	81.5	79.5	79.4	79.5	81.3	77.5

Source: Statistics Canada, custom tabulations from 1991 census.

Table 4B - Period of Construction of Rental Dwelling Units (Percent Distribution 1996)

Period of Construction	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
1991 to 1996	6.0	8.2	8.3	8.2	7.6	8.9
1981 to 1990	16.2	17.5	17.7	17.2	15.5	19.5
Prior to 1980	77.8	74.3	74.0	74.6	76.9	71.5

Source: Statistics Canada, custom tabulations from 1996 census.

Slightly more of the rental stock in rural areas is newer compared to other areas; however, in small town Atlantic Canada slightly less of the stock is newer (with only 7.6% built between 1991 and 1996) compared to all other areas, except for Canada itself as a whole.

Demand

Demand characteristics of renting, as captured in the census, are derived from how respondents categorized their household structure, the age of the head of the household, their household income, and the amount of income they pay for rent.

Tables 5A and 5B show the renter household types for 1991 and 1996 respectively.

Table 5A - Renter Household Type (Percent Distribution 1991)

Renter Household Type	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Husband-Wife families without extra persons	35.4	37.2	35.0	33.6	41.1	47.7
Lone Parent families without extra persons	11.2	13.6	12.9	15.4	13.2	12.6
Single persons without extra persons	39.0	33.7	33.6	36.6	33.5	26.2
All other families	14.4	15.6	18.5	14.4	12.3	13.4

Source: Statistics Canada, custom tabulations from 1991 census.

Table 5B - Renter Household Type (Percent Distribution 1996)

Renter Household Type	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Husband-wife families w/out extra persons	33.4	35.0	32.3	32.2	38.3	44.5
Lone parent families without extra persons	13.4	17.1	16.0	17.9	17.6	18.2
Single persons without extra persons	40.2	35.3	36.9	37.1	34.5	28.0
All other families	13.0	12.5	14.9	12.7	9.7	9.4

Source: Statistics Canada, custom tabulations from 1996 census.

Renters in Atlantic rural areas and small towns are more likely to be husband and wife families, with or without children; however, they make up a slightly smaller percentage of all renters in those types of communities in 1996 compared to 1991. There has been a significant increase in the percent of lone parent families who are renting in these places, and in fact, it has increased in all areas. The percent of all other families, which primarily refers to extended or multiple families living together, as a percentage of all rental households, is on the decline, especially in rural areas.

Table 6A and 6B show the age of renter household maintainer for 1991 and 1996 respectively.

Table 6A - Renter Households by Age of Household Maintainer (Percent Distribution 1991)

Age of Household Maintainer	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Ages 15-19	1.1	1.2	1.1	1.1	1.6	1.3
Ages 20-29	26.3	30.7	32.3	28.6	29.9	32.3
Ages 30-64	55.0	50.4	51.1	50.1	48.7	51.4
65 Years and Over	17.5	17.6	15.4	20.2	19.9	15.0

Source: Statistics Canada, custom tabulations from 1991 census.

Table 6B - Renter Households by Age of Household Maintainer (Percent Distribution 1996)

Age of Household Maintainer	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Ages 15-19	1.1	1.0	1.0	1.1	0.9	0.8
Ages 20-29	22.2	25.8	26.5	24.6	24.7	26.7
Ages 30-64	59.4	55.3	56.4	54.5	54.2	57.0
65 Years and Over	17.4	17.9	16.1	19.8	20.2	15.4

Source: Statistics Canada, custom tabulations from 1996 census.

There are more renter households headed by someone aged 30 to 64 years renting in 1996, and fewer headed by someone aged 20 to 29 years in 1996, compared to 1991, in all places. This is reflective of the aging population and lower rates of household formation among younger people. There are no major differences across the geographic groupings in terms of age split; however, Atlantic small towns and census agglomeration areas have slightly more of their renter households headed by an elderly person. It is also interesting to note that Atlantic Canada as a whole has a higher proportion of renters headed by households aged 20 to 29 years. This might be reflective of the fact that more of these households then move into ownership arrangements than their counterparts in other parts of the country as they age as a household.

Tables 7A and 7B show the distribution across ranges of household income, for 1991 and 1996 respectively.

Table 7A - Renter Household Income (Percent Distribution 1991)

Household Income	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Less than $19,999	39.0	45.5	38.6	50.5	49.9	48.6
$20,000 - $39,999	33.1	32.8	34.9	31.6	29.4	32.8
$40,000 and over	27.9	21.7	26.4	17.9	20.7	18.6

Source: Statistics Canada, custom tabulations from 1991 census.

Table 7B - Renter Household Income (Percent Distribution, 1996)

Household Income	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Less than $19,999	42.2	49.1	44.6	51.0	52.6	50.9
$20,000 - $39,999	30.9	30.6	31.9	30.8	27.2	31.2
$40,000 and over	26.9	20.4	23.5	18.2	20.2	17.8

Source: Statistics Canada, custom tabulations from 1996 census.

Renter households in Atlantic Canada in general tend to have lower household incomes than those in the rest of the country. This is especially true in areas outside of the Atlantic CMAs. There has been a marginal increase in the percentage of households renting in 1996 in rural areas and small towns who are in the lowest income category of less than $20,000, compared with the distribution of renter household income in 1991.

Tables 8A and 8B measure the relative affordability of renting by showing the percentage of household income paid for rent, for 1991 and 1996 respectively.

Table 8A - Gross Rent as a Percentage of Renter Household Income (Percent Distribution, 1991)

Rent as a Percentage	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Less than 20%	40.3	40.8	39.9	51.8	42.9	48.5
20 - 29%	24.9	23.0	24.8	23.0	21.1	20.2
30 - 39%	11.9	12.5	12.5	13.7	12.0	10.7
40 - 49%	6.9	6.8	6.6	7.7	6.2	6.2
50% and over	15.9	16.9	16.3	18.5	17.8	14.4

Source: Statistics Canada, custom tabulations from 1991 census.

Table 8B - Gross Rent as a Percentage of Renter Household Income (Percent Distribution, 1996)

Rent as a Percentage	Canada	Atlantic Canada	Atlantic CMAs	Atlantic CAs	Atlantic ST	Atlantic Rural
Less than 20%	33.0	33.3	32.0	29.9	35.4	40.7
20-29%	23.9	22.1	23.5	22.7	20.4	19.6
30-39%	13.5	14.3	13.7	16.0	14.4	12.3
40-49%	8.1	8.6	8.3	9.1	8.9	7.9
50% and over	21.6	21.7	22.5	22.2	20.8	19.4

Source: Statistics Canada, custom tabulations from 1996 census.

There has been a large decline in the percentage of renter households paying less than 20% of household income for rent in all geographic areas, between 1991 and 1996. This is especially true in census agglomeration areas of Atlantic Canada. Conversely, there has been an increase in the percentage paying 50% or more of their household income in all areas. In rural areas, 31% of renter households paid 30% or more of their household income for rent in 1991, and by 1996, that increased to almost 40%. In small towns the figure jumped from 36% in 1991 to 44% in 1996. The figure for 1996 in the larger urban centres of Atlantic Canada are even higher.

Summary of Key Issues from the Data

A number of key issues emerge from the data which help to inform our understanding of the rental market in small towns and rural areas, and which helps to inform the interpretation of the information collected at the case study level.

- The percentage of small town households which are renters is increasing and is almost the same as in the largest urban centres of Atlantic Canada. In the case of rural households the incidence of renter households is significantly less, but also rising.
- The single detached dwelling is the most dominant rental structural type in rural areas. It also comprises about 25% of the small town rental stock.
- More of the rental stock in small towns (10%) and rural areas (14%) is in need of major repairs, and in both cases is higher than the national and regional average.
- More of the small town rental stock is older (built prior to 1980) than in other community sizes, but more of the rental stock in rural areas is newer (built between 1991 and 1996).
- Small towns and rural areas are more likely to have renter households comprised of husband and wife families, with or without children, than other areas. However, the percentage of renter households which are single parent families is on the rise everywhere and is highest in rural areas at more than 18%.
- The distribution of renter households across age of household maintainer does not vary much from area to area; however, in general there is an increase in the percentage of renter households headed by someone aged 30 to 64 years old. The percentage of renter households headed by someone 65 years of age or more is highest in small towns.
- Renter households in small towns and rural areas are more likely to have lower household incomes.
- Renter households in small towns and rural areas are less likely to pay more than 50% of their gross income for rent compared to those in other areas. However, the percentage doing so in all areas is increasing. The incidence of renter households paying more than 30% of their household income for rent is just as high in small towns (at 44%) as in larger centres.

The next section provides an analysis and synthesis of information gathered through key informant interviews in the eight case study communities, and provides linkages to the information from the literature and census data.

Local Rental Market Dynamics: Evidence from Eight Case Studies

Overview

Interviews with key informants in selected case study communities were used to develop a better understanding of rental market dynamics, particularly given the limitation of census data (the most recent available data being 1996). It also provides an opportunity to build on previous research on the issue, and to articulate points of convergence and divergence from the literature on rural rental markets.

The eight case study communities represent three distinct economic contexts:

- **Boom-bust economies**, where key short term development activity punctuates other economic activity, heats up the housing market in the short term, and creates fluctuating prices and rents over the course of a few years. New construction for specific market niches usually occurs. These markets typically have more single persons renting and more short term renters. Happy Valley-Goose Bay, Clarenville, and Port Hawkesbury fit this category.
- **Stagnant to marginal change economies**, where there is little variation from year to year in economic activity and building activity. Renter profiles vary given the nature of the local economic base. Middleton and Alberton fit this category.
- **Declining economies,** where population loss and economic downturn are characteristic. There tends to be depressed housing and rental prices, no new construction, larger numbers of single persons and single parent families renting, higher vacancies and lower quality units. Those in the private sector providing rental housing find it difficult to make a profit, and often see social housing as a competitor. Shelburne, Tracadie-Sheila and Perth Andover fit this category.

This categorization seems appropriate given that the literature identified significant variation in rental markets based on the local economic situation or context. It suggested that growing communities generally have more stable and more complete housing and rental markets, and declining communities generally have depressed and incomplete housing and rental markets.

The following sections describe the key rental market issues in the context of these three groupings, with respect to renter profiles, the changing economy, the changes to government programs and mortgage availability, and opportunities for rental property development.

The Changing Rental Profile

The general trend across all of the case study communities was an increase in the number and share of single parent families among all renter households. This was particularly the case in the three communities experiencing a declining economy. The literature identified this trend as well, and it was also evident from the census data. In communities with stagnant or declining economies more seniors appear to be renting. Single person households comprise a greater share of renters in communities with boom-bust economies (primarily temporary, migrant workers) and in communities in economic decline (as people move from depressed outlying rural areas in search of better economic opportunities).

In all case study communities there was virtually no mention of "empty nesters" becoming a part of the renter profile. This is primarily because of the strong homeownership tendencies among this group, and also because of the general difficulty in selling homes in rural and small town markets, which delays or creates uncertainty for this group in making the decision to choose rental housing.

Key informants in all communities had difficulty identifying other patterns in the renter profile, particularly with respect to income distribution among renters, and with respect to length of tenure. However, the few key informants who offered comments on income distribution among renters suggested that there were more low income households renting in the private sector today than in previous years (in part related to the increasing affordability of homeownership offered by lower interest rates, and in part related to more challenging economic times). This too was identified in the literature and in the census data. There were no clear or distinct patterns in this regard among the three different groups of communities.

The literature suggested that there is a rising cost burden among rural renter households. The census data for 1991 and 1996 identified that the percentage of renters in Atlantic Canadian small towns are paying more than 30% of income for rent rose by 8% to 44%. This rising cost burden was also identified in the data for seven of the eight case study communities. The exception to this was in Tracadie-Sheila. In this case key informants suggested that rents have not increased at all in the 1990s. The government is a major supplier (about half) of the rental stock, in the form of subsidized units. This has also kept the overall cost burden for renters in check.

Very little new stock has been added in any of the case study communities. However, in the three communities with boom-bust economies, key informants suggested that in times of strong economic activity, there is some conversion of ownership units to rental units (with the owner choosing to move out of the community in hopes of high, short term economic return from renting their home to workers at high prices), and some small scale development of rental properties or additions through accessory apartments. In this case of short term conversions and accessory apartments, these do not necessarily show up in the census data, nor would they be fully identified or recognized by the key informants for the purpose of providing a count. Some new rental construction to meet a demand from seniors has occurred in Alberton, one of the economically stagnant communities.

There were some important differences across the three types of communities with respect to rental prices and vacancies. In the boom-bust communities prices tended to vary significantly according to economic performance. In good times rents increased, but when the economy slowed prices came back down. Vacancies tend to be very few in good times, but reasonably high in slower times. In communities with stagnant economies there tended to be little movement in rents (except perhaps to meet increases in inflation) and vacancies. In communities with declining economies there tended to be no change in rents or even declining rents. Comments from key informants in this group of communities suggested that vacancy rates were not too high because of the fact that there had been little or no new construction for many years, and that homeownership simply was not an option for many tenants in these types of communities.

The literature suggested that there may be some "urban submarket phenomena" occurring in the small town or rural context. Other than accessory apartment development in some of the boom-bust communities, key informants in the case study communities did not identify any activity which was increasing rental housing options.

The Impact of the Changing Rural Economy

There is a very strong connection between the economic performance of the community and the type and nature of the local rental market, as suggested by the literature. The key informants from the case study communities confirmed this fact strongly. Each community had slightly different local contexts which explained a great deal about the development (or lack thereof) of the rental market and about the households which rent. For example, in Perth Andover, NB, the new rental construction in the 1990s is explained by the fact that there was a flood in the early 1990s which destroyed several rental properties. New construction using insurance proceeds replaced these units. In Clarenville many single detached houses (as opposed to apartment unit buildings) were built for the sole purpose of renting to overseas oil company workers and executives, at relatively high prices. Once the boom was over, these properties were sold to local people who "moved up" in the housing market, and created something of a glut in the overall housing market (both ownership and rental units).

A number of changes in the rural economy identified in the literature surfaced in the case study communities. These have had a direct impact on rental housing in the local context:

- The ongoing changes in large natural resource processing industries was identified in some of the communities. For example, in Port Hawkesbury (paper mill), Clarenville (oil) and Happy Valley-Goose Bay (mineral exploration, hydroelectric potential) there were significant increases in short term rental demand by migrant employees working on specific projects. Rents rose and vacancies dropped significantly during periods of economic growth.

- The groundfish moratorium and its associated loss of jobs and income was identified in Shelburne and Tracadie-Sheila, and to a certain extent Clarenville (primarily in the outlying areas). In Shelburne and Tracadie-Sheila the depressed economy pervaded the entire housing sector, lowering overall housing values and rents, and restricting new development. In Clarenville there has been little new demand for rental housing and higher vacancies now that the oil boom is over, and the deeper realities of the economic loss due to the moratorium have set in.

- The rural and small town economy is not just based on agricultural or other natural resource production. For example, in Middleton, Port Hawkesbury, and Clarenville the presence of a community college campus translates into students representing a small but important component of the rental housing market.

- The loss of autonomy and marginalization of rural communities where development is driven by external factors was evident in Happy Valley-Goose Bay (downsizing of the military base), Clarenville and Tracadie-Sheila (groundfish moratorium), and Shelburne (military base closure and groundfish moratorium). In each case there was a negative impact on the rental market.

- None of key informants in the case study communities identified the arrival of new rural residents in search of a different lifestyle, such as entrepreneurs or early retirees, as having any impact on the rental market.

- The changes in income support programs (specifically the change from unemployment insurance to employment insurance) were identified primarily in communities with stagnant or declining economies, as having negative impacts on renter households. Many respondents from all case study communities identified that many renter households had lower incomes, and the census data for the communities showed very little income growth among most types of renter households. The net effect of this has been to limit demand for new rental property construction.

- The concentration of income among fewer rural households, the rising number of low income households, and deepening rural poverty, were also identified in the literature. The census data suggests this has in fact been the case in the case study communities.

- An aging population requiring increased care and health and social services was also identified in both the literature and the case study communities. In particular key informants in Alberton and Clarenville and to a certain extent Middleton noted increases (and potential increases) in seniors requiring rental housing in their communities, so that they can be closer to services. The literature suggested that the aging population would create a strong demand segment now and in the near future. In these three communities key informants identified the growing seniors' market as a potential opportunity for private sector development.

The Impact of Government Policy and Program Changes

The presence of lower mortgage interest rates throughout most of the 1990s has had a greater impact on the rental housing market than has the introduction of the 5% downpayment option for all home purchasers. In particular the group of renters most influenced has been young family renters. It is only this group key informants suggested are leaving rental housing after a shorter period of time than they did before. In some cases, young families are moving into homeownership immediately after household formation without renting in the first place. Key informants were quick to point out that many renter households, especially in communities with stagnant or declining economies, have not been influenced by the ability to buy a house with just a 5% downpayment because they have very little savings and savings capacity.

The impact on the rental market specifically has been to change the overall composition of those who are renting. In general there are more lower income families, more single person households, and more single parent families renting as a result of these policy and program changes.

In terms of the termination of new social housing construction in 1993, there are mixed opinions and reactions among key informants about its impact on the rental market. In communities with a boom-bust economy most key informants were not aware that new social housing construction had been discontinued. Once informed, they did not see any connection or impact on the private rental market. However, social housing managers and those representing government in these communities indicated that waiting lists had grown somewhat.

In communities with stagnant economies waiting lists for social housing continue to increase steadily. However, key informants felt that there was a need for the government to do more to address housing needs, primarily through partnership with the private sector as opposed to building more units and becoming a form of competition for the private sector.

In communities with depressed economies rental property owners were generally pleased that the government had stopped building social housing units. The government was viewed as a serious competitor for the best of the low income rental households. Rental property owners felt squeezed by low rents and low rates of return on their rental investments, and saw the government as a problem. All key informants noted that there were deepening waiting lists for subsidized housing, but few had any solutions for the problem.

Opportunities for Private Sector Investment

There are very few opportunities for additional private sector investment in the rental housing market at this time, according to the key informants from all communities. In communities with boom-bust economies, it was identified by some that in good economic times new rental properties fill up quickly because of demand for such units. In poor economic times these tend to remain full with the older and lesser quality stock suffering the vacancies and being home to lower income households. In communities with stagnant or declining economies there are few opportunities, and it was identified that at least one or more existing rental property owner in each community was either in the process of trying to sell his/her rental portfolio, or had recently done so because of marginal economic returns.

However, the one consistent opportunity identified by many key informants (with the exception of those from communities with declining economies, and those from Happy Valley-Goose Bay) was the emerging and potential demand for reasonably priced, high quality rental units by seniors. With the exception of Alberton, this demand has not yet begun to take root in a serious way, translating into actual construction of new units. However, it is expected that within a few years this demand will lead to construction of new units in most communities.

The major factors influencing investment decisions by rental property owners, as identified by the 25 rental property owners among all key informants are, in order of most frequent responses:

- **Demand.** Is there a demand for new rental units, and what is the nature of this demand? Above all, this was seen as most important. If there is not enough demand to fill at least ten units (this seemed to be the minimum number of units a new development would have to have), then the financing issues are not important because the project will not go ahead anyway. Potential investors generally do not have sufficient capital reserves to build a new development with projected (short term) vacancies and to be able to cover those vacancies until such time as the units fill up.

- **Equity.** How much collateral and capital do I have to work with, and how much equity are financial institutions requiring before lending money for new rental property development? Key informants noted that there was a fine line between having enough to invest such that the amount of interest paid on a loan would not be too high, and not having to put too much into the project up front so as to leave very little cash reserve and operating funds. Several key informants, including those from Alberton, Perth Andover, and Clarenville felt that equity requirements from lenders was too high.

- **Return on investment.** How much return am I getting on my investment each year, and how long before I no longer have a debt on the property? Rental property owners are in the business for economic reasons, and want to earn an income from their rental properties. Many have been in the business for a long period of time because it has proven to be profitable, for the most part. However, as noted above, marginal returns on rental properties in communities with declining economies are low and becoming a problem for rental property owners who no longer see any point in staying in the business.

- **Cost of construction.** How much will it cost to build a new rental housing development, and will these costs make it marginally less profitable in the short and long term? Rental property owners were less clear on the meaning or importance of this factor, but two key points emerged. First, the cost of new construction is rising each year, particularly with the need to develop quality units with amenities and services. Implicit in this is the concern or consideration for the very real limit on how much rent can be charged for a unit on a monthly basis without overpricing the units against the rest of the market. Second, it was noted that the cost of land and the apparent high cost of property taxes charged against rental properties posed some limitations in the overall consideration of construction costs.

In short, there were no key informants in any of the case study communities who identified that they were considering new rental property development at the present time, primarily due to lack of demand and equity considerations.

The literature suggested that tax laws are not favourable to rental production and maintenance, and that they encourage depreciation and a lack of upkeep. Key informants from several communities including Middleton, Perth Andover, Port Hawkesbury, and Clarenville expressed concern over high property taxes and the negative impact it was having on their decision to undertake capital improvements to their rental properties.

The literature also suggested that NIMBY is sometimes a problem to developing rental housing in small communities. However, this was not the case in these case study communities. The lone exception was a public reaction against many accessory apartments being developed by a single developer in Port Hawkesbury in response to demand from short term migrant workers employed on the Stora Forest Products Ltd. expansion and retrofit. This led to the adoption of a new bylaw requiring that accessory apartments could only be permitted in owner-occupied single detached houses.

The literature further suggested that rental units are typically owned by a variety of owners. In most of the case studies key informants suggested that the number of rental property owners was increasing, but they were generally unable to identify who they were or how many units each owner was renting. This was particularly the case in communities with boom-bust or stagnant economies. In communities with declining economies and marginal or low rates of return on rental property investment there were differences of opinion as to whether or not there was an increase or decrease in the number of rental property owners. Most key informants, regardless of community, did not have a good understanding of the ownership composition in their own community. Given the earlier comments on the difficulties of new development, and the shrinking profitability, the observations about ownership composition must be taken with caution.

Opportunities for Community-based Investment and Government Intervention

There are few rental housing development opportunities for individual communities, or for the government to intervene without building new units. Key informants were at a general loss to provide any concrete solutions to address the housing needs of low income households in their communities, with the exception of suggesting that an improved economy (somehow stimulated by the government) would lead to increased incomes and therefore more affordable rental housing.

It was acknowledged by most that new direct rental housing construction by government is neither likely nor appropriate at this time. Some of the key informants suggested that perhaps more rent supplement subsidies paid directly to rental property owners might be one solution. No one identified or used the word "partnership" when discussing opportunities for communities and government.

Several key informants touched on local development challenges, namely the high cost of serviced land and high property taxes levied against rental properties. These were seen to be limiting factors for new development. Although not explicitly stated by any key informant, the underlying suggestion in all of this is a need or opportunity to create a more development friendly local environment. This might be done by reviewing development standards and charges, and by reviewing property taxation. However, significantly more targeted research into these two issues in the context of rental property development would be required.

In the two Newfoundland communities it was noted that the provincial government was getting out of the business of "land assembly". Up until very recently, the government had been developing all of the infrastructure (roads, water, sewerage, etc) in many communities for residential development. Now raw land is being made available to developers. There were differing opinions among the key informants as to what short and long term impact this would have on housing costs in general. Slightly more of the key informants felt that this would be good for housing and would marginally reduce costs.

Issues for Lenders to Consider

Several issues came up regarding a rental property owner's ability to obtain appropriate financing for new rental property development. Eight of the 25 rental property owners interviewed mentioned that they had some difficulty in the past obtaining financing. Five of these eight who identified problems were from communities with declining economies. The economic context of those communities likely played some role in the decision-making on the part of lenders when evaluating loan applications for rental housing development.

While they were generally unable to pinpoint the exact nature of the problem, these eight key informants made general statements or observations regarding their perceptions of how they were treated and dealt with as business people. The comments seemed to revolve around three interrelated issues:

- **Equity requirements.** Generally speaking the eight key informants felt that an equity requirement in the 25% to 35% range was too high, particularly in a small town economy context. As small business people they felt that they did not have the capacity to fulfill this requirement, even though all other aspects of the development made sense.

- **Local decision-making.** There was a concern expressed that national standards for reviewing loan applications were being applied to local situations. It was felt that market dynamics in small towns and rural areas were sufficiently different to warrant a local decision. There were two examples of a local loan officer approving a loan application which was subsequently overturned by a regional or national office. It was also felt that the role of a small business person in fulfilling a market need was not being respected and that in the end, the people of the community needing affordable rental housing options were suffering. One key informant suggested that if a property owner's existing units are at or near full capacity, and the proposed project is properly targeted, then there must surely be a way to finance the project even if the desired equity level on the part of the lender is not there.

- **Attitudes towards small businesses.** It was the perception of several of these eight key informants that banks do not have a good working relationship with small businesses. Many of the rental property owners have diversified, but small, business interests. This translates into a need to work closely on a personal, case by case basis to meet the financing needs of a proven, successful small business person. Several of those who had problems obtaining financing mentioned that they thought the problem was related to a perception that they were a small business person with limited abilities and capacities to make the rental development viable.

It is recognized that these comments are potentially isolated cases and may not reflect a majority of situations. However, more explicit research on these issues, particularly from the perspective of lenders, is needed to fully understand this aspect of rental property development in rural communities and small towns.

Summary

Table 9 provides a summary of the key similarities and differences in rental market dynamics and issues across different types of communities.

Table 9 - Summary of Local Rental Market Dynamics by Community Type

	Boom-Bust Economy	Stagnant Economy	Declining Economy
Changing Renter Profile	● more single persons ● some new construction ● fluctuating rents and vacancies	● more seniors ● stable market ● isolated new developments	● more single parent families ● more affordability problems ● declining quality, no new development
Impact of the Changing Economy	● new rental accompanies new economic activity ● diversified stock to respond to different demands ● more short term renters	● access to services is important ● niche markets (seniors, students) are important, people moving in from outlying areas	● depressed rents ● social units seen as competition ● lack of reinvestment in existing units
Impact of Changing Gov't Programs	● low mortgage rates help move people into ownership ● 5% downpayment less of a factor ● little change in social housing waiting lists	● minor impact of low mortgage rates ● limited impact of 5% downpayment ● social housing waiting lists growing	● limited impact of low mortgage rates ● limited impact of 5% downpayment ● much longer social housing waiting lists
Opportunities for Private Sector	● seniors ● when economy is good there are many demand segments	● possibly seniors	● none ● requires significant economic improvement and job stability
Opportunities for Community and Gov't	● rent supplement with private sector ● address local development issues	● rent supplement with private sector ● address local development issues	● rent supplement with private sector ● address local development issues

Conclusions

The dynamics of rental markets in small towns is very much linked to the local economic context within which the community operates. A case study approach to understanding rental markets in small towns identified that in Atlantic Canada there are three principal types of communities as they relate to rental markets: boom-bust communities, where changes in the rental market are quite variable and fluctuate significantly with economic activity; stagnant communities, where changes are minimal and gradual over time; and declining communities, where housing markets are depressed and investment opportunities are limited. These considerations are important in understanding the impacts of and relationships to other factors affecting rental housing, including demographics, the economy, and government programs and policy.

The Changing Renter Profile

Significant and important changes in the characteristics of renters and rental supply was identified by combining information from the 1991 and 1996 censuses with information from the case studies.

- The percentage of small town households which are renters is increasing and is almost the same as in the largest urban centres of Atlantic Canada. In the case of rural households the incidence of renter households is significantly less, but also rising. Evidence from the case study interviews suggested that there were relatively few renter households moving into homeownership because of improved financial opportunity. They are held back by uncertain economic times. Those who are moving into homeownership are being replaced by lower income renter households. This v[illegible] particularly the case in communities with stagnant or declining economies.
- The single detached dwelling is the most dominant rental structural type in rural areas. It also comprises about 25% of the small town rental stock. Key informants from the case study communities with boom-bust economies identified that the single detached dwelling, along with accessory apartments, played an important role in short term rental supply. Furthermore, many pointed to the difficulty in financing larger rental housing developments.
- More of the rental stock in small towns (10%) and rural areas (14%) is in need of major repairs, and in both cases is higher than the national and regional average. This statistical observation from the census was particularly evident in communities with declining economies.
- More of the small town rental stock is older (built prior to 1980) than in other community sizes, but more of the rental stock in rural areas is newer (built between 1991 and 1996). The only case study communities which exhibited any new rental housing development in the 1990s were those with boom-bust economies, and one of those with a stagnant economy. The depressed economy and limited demand from a large enough segment able to pay full market rents limits new development.
- Small towns and rural areas are more likely to have renter households comprised of husband and wife families, with or without children, than other areas. However, the percentage of renter households which are single parent families is on the rise everywhere and is highest in

rural areas at more than 18%. Key informants echoed these census statistics. In boom-bust communities single persons and single parent families were increasing as a proportion of renters, in stagnant communities single persons (students and seniors) were increasing, and in declining communities single parent families were increasing.

- The distribution of renter households across age of household maintainer does not vary much from area to area; however, in general there is an increase in the percentage of renter households heading by someone aged 30 to 64 years old. The percentage of renter households headed by someone 65 years of age or more is highest in small towns. Seniors are becoming an increasingly important part of the renter demand in stagnant communities, where seniors are moving into these communities to have better access to services. The emerging demand market among "empty nesters" for rental housing, a trend developing in urban areas, was not identified by key informants in any of the case study communities. It is likely that given the relatively high ownership patterns in small towns and rural areas, these areas will be the last to see a large movement by that age cohort into rental housing.
- Renter households in small towns and rural areas are more likely to have lower household incomes. Key informants in all communities noted that there were more lower income households among those renting in their communities.
- Renter households in small towns and rural areas are less likely to pay more than 50% of their gross income for rent, but the percentage doing so in all areas is increasing. However, the incidence of renter households paying more than 30% of their household income for rent is just as high in small towns (at 44%) as in larger centres. Many of the key informants noted that more renter households were appearing on waiting lists for social housing, particularly in communities with stagnant or declining economies.

The Changing Rural Economy

The changing rural economy has had tremendous impacts on both the supply of and demand for rental housing. In primarily boom-bust and declining communities, decisions which have an impact on improving or reducing the economy of the community are being made by senior levels of government (closure of the ground fishery, closure of military bases) and large corporations (capital reinvestment projects, mineral exploration). In the first case, the effect is a depressed housing market for all tenure types. In the second case, the housing market fluctuates significantly. In stagnant communities there are fewer impacts, but migration from the surrounding rural communities into the community is having some impact on the rental market.

The Improved Financing Climate for Homeownership

Key informants identified that declining mortgage interest rates had much more of an effect on renters and rental housing than did the introduction of the 5% downpayment option. Because many renter households, particularly single parent households and single person households, have lower incomes and little or no capacity to save for a downpayment on a house, the 5% downpayment option is of no consequence. This was deemed to be particularly the case in declining communities and to a certain extent in stagnant communities. Furthermore, lower interest rates over a longer term were seen to create a more stable environment for homeownership, making it more comfortable for newly formed households to move into an ownership situation immediately, and for some family households to move from renting to owning in a shorter period of time.

The End of New Social Housing Construction

The impact of the termination of new social housing construction on the supply of rental housing varies by community type. In boom-bust communities the impact has been minimal. There has been sufficient new development to meet overall demand, but key informants did admit that there were still people having serious affordability problems. This comment was echoed by the census data which showed a rising proportion of renters paying more than 30% of their income for rent. In declining communities, and to a certain extent in stagnant communities, key informants suggested that the government as a supplier of rental housing made it difficult for private rental property owners to attract and keep "the best" of the lower income renter households. Waiting lists for social housing in these communities have grown significantly. The fact that the private sector has not been able to build rental housing at costs low enough for lower income households to afford market rents suggests that there has been a problem created by the lack of social housing construction.

Opportunities for Rental Housing Development

There are limited opportunities for new rental housing development in small towns. The opportunities are significantly constrained by the economic realities of the present time, and are more pronounced in communities with stagnant or declining economies. The financial risks are high and there is lack of demand from a segment which can pay full market rents. The emerging seniors market, which demands newer, more accessible, and higher quality units is an opportunity for communities with stagnant economies. This was best illustrated in Alberton where modest rental housing growth has been in response to increasing demand from seniors. In communities with boom-bust economies, the development of new rental housing is tied directly to the pace of economic activity. When new developments are underway, particularly those which attract new households and workers to the community, the private sector is ready and somewhat able to increase supply of all structural types. The difficulty in these communities is when the major developments wind down, and there is an oversupply of rental housing for a period of time.

It is highly unlikely that governments will move back into the realm of direct supply of rental housing in the form of social housing units. Key informants were quick to point out that the government serves largely as an unwanted competitor. However, they did suggest that government could work with the private sector in two ways. The first is to improve the local development situation, through investments which improve the economy of the community and region, and through keeping land costs and rental property taxes to a minimum. These latter two points are seen as somewhat restrictive elements. The second is to provide more rent supplements directly to the rental property owners to address more of the low income housing needs in the community.

New rental housing development will also be contingent on financing. Some concerns were expressed about the perceived high levels of equity (25% to 35%) required for projects of four or more units. A handful of key informants felt that this was unrealistic for a small business person with a proven record of successful development. Other concerns focused on the perception that national standards for assessing loan applications were being applied to local situations, and that local decision-making was being overturned. The suggestion is that a better understanding of the local situation and the local rental housing market is needed, and that this is best done by local lenders on a case by case basis.

Future Research Directions

Emerging from this research on rental markets in small communities are two areas for further research:

- **Partnership development for rental housing in small communities.** There is a need to understand more about the possible arrangements for partnership development leading to rental housing construction. Many examples are available from larger urban centres, but there are few examples from smaller communities. This investigation would include an examination of financing issues from the perspectives of rental property owners, potential investors, community organizations, government, and private lenders.

- **Impact of development costs and property taxes in small communities.** Several studies have been completed on this issue for larger urban areas, some through CMHCs research division, and others through the Affordability and Choice Today (A-C-T) program. However, little is known about this issue in small communities. Municipal leaders may not be aware of the impact of their charges and taxes on development. Developers may not fully appreciate the need for the charges and taxes. Critical to this research would be the need to explore development standards as well, which have a direct relationship to charges and costs.

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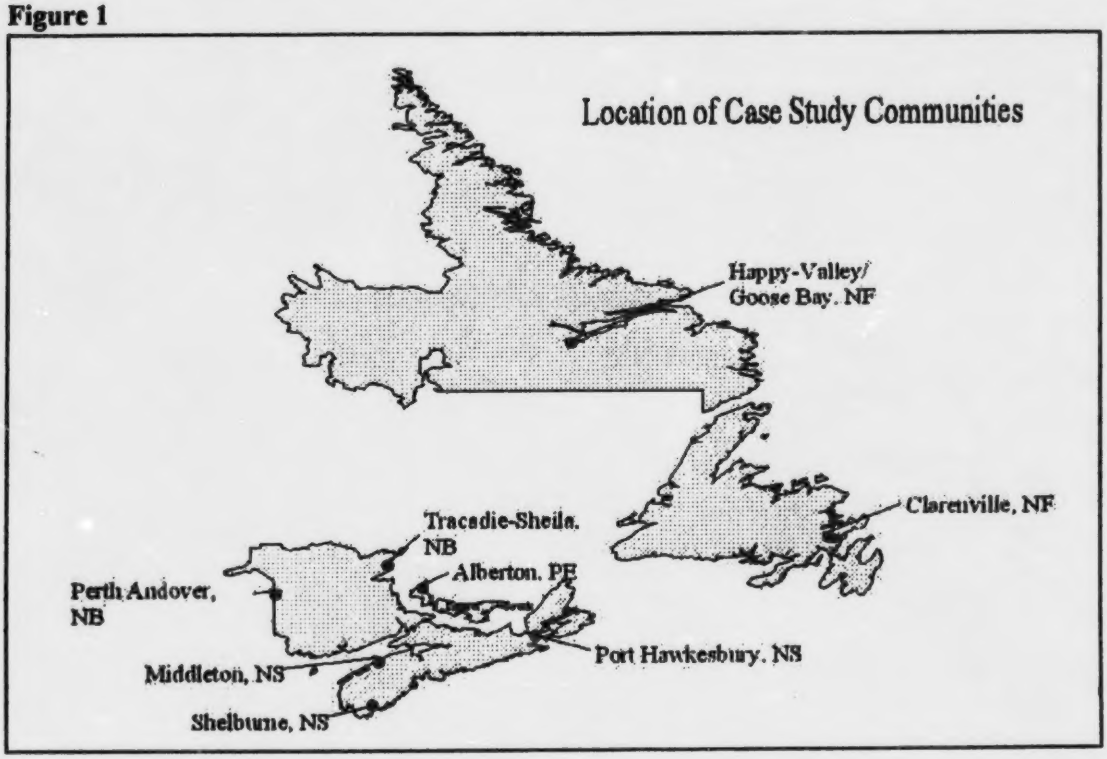
Appendix A: Case Study Profiles

Key informant interviews were conducted in eight case study communities (Figure 1) for the purpose of developing a better understanding of the key issues affecting the supply and demand of rental housing.

Figure 1


Location of Case Study Communities
Happy-Valley/ Goose Bay, NF
Clarenville, NF
Tracadie-Sheila, NB
Alberton, PE
Perth Andover, NB
Port Hawkesbury, NS
Middleton, NS
Shelburne, NS

Happy Valley-Goose Bay, Newfoundland

Geography

Happy Valley-Goose Bay is strategically located between western Europe, the Arctic and North America on the northern air routes. The Port of Goose Bay is the termination point for the Trans Labrador Highway and provides marine service to the coast of Labrador. It is a relatively isolated community of 8,655 people (2,745 households) on the eastern end of Labrador. There are two small settlements within a 45 minute drive, one being the Innu community of Sheshatshiu, and the other being Mud Lake. Neither of these were seen to be part of the local housing market.

Key Informant Interviews

- Manager, social housing
- Manager, provincial housing authority
- Rental Property Owner
- Rental Property Owner
- Rental Property Owner
- Town Manager
- Director, Economic Development
- Real Estate Agent

Economic Base

The major employers in the town are the military and government administration. There have been a number of recent changes in the economy of the area which have had a major impact on the town including the privatisation of many of the base's support functions, downsizing of the military, but increasing use of the base by Allied forces. For example, employment at the base has been reduced from 1,040 in 1993 to 443 in 1998.

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-1) yields the following observations:

- 52% of households rented in 1991, and 51% of households rented in 1996.
- Slightly fewer renter households (now 60% of all renter households) are paying less than 15% of their income for rent in 1996 compared with 1991.
- Slightly more renter households are now paying 30% or more of their income for rent (15% to 17%).
- There has been a modest increase in the number of single parents who renting, up 60 to 15% of all renter households.
- Where there were no seniors renting in 1991, there are now 25 such households renting.
- More than half of the renter households earn more than $40,000.

Table A-1 Profile of Renters in Happy Valley - Goose Bay, 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	1275		46999	1400		48268
Gross rent as a percentage of Income						
Less than 15%	820	64	59338	835	60	63260
15 - 19%	135	11	38941	185	13	41403
20 - 24%	85	7	28769	105	8	28910
25 - 29%	50	4	24382	50	4	24762
30 - 34%	50	4	19803	40	3	23058
35 - 39%	10	1	0	30	2	18841
40 - 49%	15	1	9631	50	4	14621
50% and over	120	9	11273	105	8	8136
Household Type						
Husband-Wife families	845	66	53989	920	66	54665
Lone Parent families	105	8	21629	165	12	23503
Single persons	145	11	26954	145	10	29702
All other families	185	15	44582	165	12	54581
Age of Household Maintainer						
Ages 15-19	10	1	0	0	0	0
Ages 20-29	425	33	36146	450	32	40083
Ages 30-64	840	66	52984	930	66	52979
65 Years +	0	0	0	25	2	19582
Household Income Groups						
Less than $19,999	200	16	9281	230	17	12023
$20,000 - $39,999	335	26	30854	300	22	29944
$40,000 and over	735	58	64972	865	62	64446

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental stock profiles from the 1991 and 1996 census data (Table A-2) yields the following observations:

- The number of units rented increased by 125 or 10%.
- There has been an increase of 50 single detached houses rented, representing 17% of the rental stock.
- There have been 60 units in multiple unit buildings added to the stock.
- The overall condition of the rental stock is improving. Most (69%) require only regular maintenance, with only 115 units or 8% requiring major repairs.
- Not all of the additional rental units are new construction. At least 65 were conversions, about 100 were new, and about 45 units built prior to 1980 are no longer rented.

Table A-2 Profile of Rental Stock in Happy Valley - Goose Bay, 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	1275		46999	1400		48268
Structural Type of Dwelling						
Single-detached	180	14	57835	230	17	49799
Semi-detached	420	33	47460	420	30	49094
Multiple	660	52	43904	720	52	47269
Other	15	1	37305	25	2	48870
Condition of Dwelling						
regular maintenance	775	61	41910	955	69	46444
major repairs	150	12	61443	115	8	43503
minor repairs	345	27	51895	330	24	55250
Period of Construction						
Post 1990	20	2	16603	125	9	46938
1981 - 1990	185	15	33151	250	18	30191
Pre 1980	1075	84	49898	1030	74	52794

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Comments from key informants paint a somewhat different picture of renters and the rental stock. They suggested that the rental stock has increased dramatically in the 1990s, in terms of absolute number of units. This is particularly the case with an increase in basement apartments being developed in new single detached houses, and in the one- and two-bedroom units in small apartment complexes. The demand for three-bedroom units is perceived to be weak. Key informants felt that there was no rental market for single detached houses, yet the census suggested 230 such units are rented. An example was cited where an Italian air force general whose troops would be using the base for training was stymied in his attempt to find such a rental unit. Perhaps this is an indication that there are insufficient single detached units for rent to meet demand. There are significant (up to 80%) vacancies on the military base.

There were wide ranging views among respondents about the changing nature of renters. The most that could be said is that it was felt that families made up a greater share of renters now compared to previous years, and that more renters were renting for shorter periods of time. This latter point could be related to the increasing opportunity for ownership as a result of lower interest rates and the 5% downpayment opportunity, or to the transient nature of workers at large development projects (see below).

There was general agreement among key informants that the number of private landlords had increased, suggesting that ownership of rental units was becoming less concentrated.

The Impact of the Changing Rural Economy

The single most important change in the economy in recent years has been the privatization of services at the military base, which resulted in a major loss of jobs in the area. However, there has been some early job development from new projects in the area, such as the Voisey's Bay nickel development, and the planned development of a hydro electric facility on the Churchill River. The opening of the Trans-Labrador highway has had a positive impact on the area, since there is now year-round road access to Quebec. The tension is the area is between the loss of jobs from the base privatization and the potential increase in jobs from the megaprojects. One informant summed it up by pointing out that although the changes at the base resulted in a net loss of approximately 1600-1700 jobs, the housing market has been growing a good deal.

Over the next decade the economy of the area is expected to substantially improve. Future sectors which show potential include tourism, further development of the Churchill River for hydro electric power and the development of the Voisey's Bay nickel deposit. These developments have the potential to increase demand for housing, both in the long and short term. The demand for this housing, would, in all probability, substantially increase housing prices within the community, for both rental and ownership options.

It was suggested by several respondents that prior to the 1990s there was no real housing market in the community. The town had been the primary developer of housing, especially in the form of land assembly, subdivision of lots, and servicing. The town is getting out of this activity and selling raw land directly to private developers. It has only been since 1990 that real private sector development has taken place, with an associated increase in the volume of housing stock and prices.

The Impact of Government Policy and Program Changes

Most informants felt that the combination of lower interest rates and the 5% downpayment opportunity has had an impact on the housing market in helping some households move into ownership more quickly. However, a few disagreed, suggesting that the relatively healthy economy and economic "boom" in the area had more to do with household decisions to choose ownership as a tenure option. One informant in particular suggested that the "quality" of tenants was decreasing as more people of higher incomes moved into the ownership market, leaving mostly lower income households in rental situations. Indeed, it was further observed by some respondents that there seemed to be a greater number of people on social assistance looking for apartments. This is in part confirmed by the census data showing that those paying 50% or more of their income for rent are earning less on average than they did in 1991.

Opportunities for Private Sector Investment

Opportunities appear somewhat constrained at the moment. The major factor mentioned by private sector developers was the perceived lack of available and appropriately zoned land. This is compounded by a current abundance of supply of rental housing. Future opportunities for rental market development rest on the extent and pace of development of the major economic projects in the region (which will increase demand, particularly among transient workers), and the future uses of the vacant housing units on the military base (most of which are in need of repair, and if they were turned over to the market, it would depress prices and new developments).

Private sector informants that the key factors which influence decisions to invest in new rental housing are marketability (there must be a demonstrated demand for particular types and sizes of units) and return on equity (there must be a reasonably short time period for recovering the initial investment). However, to illustrate the relatively simplistic approach to rental investment decision-making, one rental property owner admitted that he had done no planning whatsoever and "just went ahead and built 'em, one at a time, and people rented 'em".

Opportunities for Community-based Investment and Government Intervention

Most key informants were of the opinion that there were no requirements for intervention since there did not seem to be any "gaps" in housing provision. Waiting lists for social housing are short.

It was noted that the provincial government was getting out of the business of "land assembly". Up until very recently, the government had been developing all of the infrastructure (roads, water, sewerage, etc) for residential development. Now raw land is being made available to developers. There were differing opinions among the key informants as to what short and long term impact this would have on housing costs in general. Slightly more of the key informants felt that this would be good for housing and would marginally reduce costs.

Clarenville, Newfoundland

Geography

Clarenville has a population of 5,335 (1,850 households). It is located approximately 2 hours west of St. John's, on the TransCanada Highway, and serves as the major regional service centre for the Bonavista Peninsula.

Economic Base

The economy of the community is primarily based on government services (health and education in particular), some retail, and some manufacturing (particularly related to the off-shore oil industry).

Key Informant Interviews

Program Manager, provincial housing
Rental Property Owner
Rental Property Owner
Rental Property Owner
Rental Property Owner
Lending Officer, Bank
Town Clerk
Real Estate Agent

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-3) yields the following observations:

- 33% of households rented in both 1991 and 1996, but there was an increase of 280 additional renter households in that time period.
- There are many fewer renter households (from 42% down to 28% of all renter households) paying less than 15% of their income for rent, suggesting tougher economic times and lower incomes among those renting.
- Many more renter households (up from 25% to 33% of all renter households) are paying 30% or more of their income for rent.
- There has been a significant relative increase in the number of single parents renting, up 125 to 21% of all renter households, while non-family renter households have declined in relative and absolute terms. This is a reflection of the termination of some off-shore oil manufacturing activity which saw many people migrate to the area for short work terms.
- There has been a relative decline in percentage of seniors who rent, but a major increase in renter households aged 30-64.

Table A-3 Profile of Renters in Clarenville 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	330		32382	610		36841
Gross rent as a percentage of Income						
Less than 15%	140	42	47205	170	28	63849
15 - 19%	60	18	36021	100	16	41919
20 - 24%	20	6	27995	55	9	32558
25 - 29%	30	9	15624	80	13	31994
30 - 34%	0	0	0	45	7	27348
35 - 39%	10	3	19467	30	5	17129
40 - 49%	15	5	11249	30	5	11105
50% and over	55	17	10545	95	16	9448
Household Type						
Husband-Wife families	150	46	44589	295	48	44732
Lone Parent families	25	8	10374	130	21	22430
Single persons	80	24	21347	150	25	30435
All other families	70	21	27126	40	7	46470
Age of Household Maintainer						
Ages 15-19	0	0	0	0	0	0
Ages 20-29	120	36	32164	175	29	24919
Ages 30-64	170	52	37831	395	65	43636
65 Years +	35	11	10869	40	7	20756
Household Income Groups						
Less than $19,999	140	42	10960	225	37	11374
$20,000 - $39,999	75	23	31533	170	28	29126
$40,000 and over	110	33	60608	220	36	68269

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental stock profiles from the 1991 and 1996 census data (Table A-4) yields the following observations:

- The number of units rented increased by 280 or 85%.
- There was an increase of 45 single detached houses rented, but this structural type represents only 20% of the rental stock.
- There 240 units in multiple unit buildings added, but these were mostly accessory apartments in single detached houses, and that rental type now represents almost three-quarters of the rental stock.
- The overall condition of the rental stock is improving, with 80% requiring only regular maintenance, and with only 25 units or 4% requiring major repairs.
- Not all of the increase can be attributed to new unit construction. At least 100 units were conversions, with about 185 built new.

Table A-4 Profile of Rental Stock in Clarenville 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	330		32382	610		36841
Structural Type of Dwelling						
Single-detached	80	24	41510	125	20	47933
Semi-detached	40	12	36639	50	8	23871
Multiple	200	61	29073	440	72	35018
Other	10	3	8929	0	0	0
Condition of Dwelling						
regular maintenance	250	76	28468	485	80	34786
major repairs	30	9	44270	25	4	46240
minor repairs	50	15	44091	100	16	43394
Period of Construction						
Post 1990	0	0	0	185	30	58146
1981 - 1990	110	33	39779	165	27	27031
Pre 1980	220	67	28901	265	43	27472

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Key informants indicated that there have been changes in the composition of renters. Families were more likely to be owning now than at the beginning of the decade. It was felt that there are few seniors renting because many were having problems disposing of their existing ownership property either in town or in outlying communities. Until these units are sold seniors will be reluctant to rent. Single people were still an important part of the renter group, and there seemed to be an increase in the number of low-income families renting. This last group is likely a reflection of the increasing number of low-paying service sector jobs which attract people to the area.

In terms of ownership of the rental stock, there was a general consensus that the number of landlords was increasing, but that most of the rental stock was in fact concentrated in the hands of a few. One rental property owner indicated that he was attempting to sell his rental properties, with little success, because current return on investments are marginal and maintenance and upkeep was becoming a problem.

The Impact of the Changing Rural Economy

There have been several major economic changes in the last decade which have made Clarenville more of an exception than the norm with regards to Newfoundland communities. Some of the key infrastructure for the Hibernia offshore oil project was built in Clarenville. This provided a lot of new jobs for local residents, but it also had the effect of drawing many workers from elsewhere including overseas. The Come-by-Chance/Arnold's Cove oil refinery, located a short distance to the south, opened this decade, providing some jobs for Clarenville residents. Moreover, given Clarenville's role as a service centre for the Bonavista region, it attracted many migrants from depressed fishing villages in the region (if they did not move to other parts of Canada) searching for economic opportunity. This is expected to continue as people move to Clarenville for education opportunities, and as seniors choose to move closer to medical and retail services.

The Hibernia project created a housing boom in the area, both in sales and in rentals. Somewhere in the order of 100 to 120 new houses, many of them executive style, were built for the project to meet the short term rental demands of executives from oil companies. Most of these have now been sold, at relatively modest prices. The sale of the Hibernia homes increased the overall quality of the market, as many existing homeowners upgraded to these newer homes, making relatively good quality and modestly priced homes available for those with lower incomes. Just as there had been new house construction, a number of new apartment units were built to satisfy demands. However, with the end of this current economic boom, vacancy rates are said to be high. Demand for rentals is currently far below supply.

The Impact of Government Policy and Program Changes

Key informants identified that both lower interest rates and the 5% downpayment opportunity had a very positive effect on the recent construction boom, notwithstanding the parallel developments resulting from offshore oil development. It is believed that many households moved out of rental housing as a direct result of these factors.

Few of the informants felt that the end of new social housing construction was a problem. It was perceived that there are very few people on social assistance in the community, and those that are have adequate housing. The provincial housing manager for the region and one of the real estate brokers noted that people were finding more "lease-to-own" deals in the private sector that were affordable. However, it was widely recognized that housing for low income seniors was a problem because waiting lists are growing.

Opportunities for Private Sector Investment

There are no immediate opportunities for private sector investment in rental housing. There is a major oversupply of rental units given the end of the recent economic boom, and there are no emerging market segments other than low income senior households. If market conditions were favourable, there would be few impediments, as there is still available land and NIMBY is not an issue. Rental property owners indicated that the key "assessment" factors they take into account primarily relate to a healthy return on investment over a reasonable time period, and responding to demand given reasonable short supply of desired units. However, one rental property owner indicated that there are problems with how lenders and mortgage insurers assess rental investment in rural Newfoundland. Because of smaller market sizes, lenders demand a greater equity share (up to 35%) on the part of the investor, to reduce their risk. Furthermore, the cost of appraisals is being placed in the hands of the investors who for the most part cannot afford it.

Opportunities for Community-based Investment and Government Intervention

There is a pressing need to meet the demand for affordable rental housing for low income seniors.

It was noted that the provincial government was getting out of the business of "land assembly". Up until very recently, the government had been developing all of the infrastructure (roads, water, sewerage, etc) for residential development. Now raw land is being made available to developers. There were differing opinions among the key informants as to what short and long term impact this would have on housing costs in general. Slightly more of the key informants felt that this would be good for housing and would marginally reduce costs.

Port Hawkesbury, Nova Scotia

Geography

This is a community of about 3,809 people (1,370 households) on the Strait of Canso on the south shore of Cape Breton Island. Its deep port (Port Tupper) and proximity to international shipping lanes has led to the area being dubbed "the new industrial centre of Cape Breton". Halifax is a three-hour drive to the south, with Sydney about a one-hour drive to the north.

Key Informant Interviews

Manager, social housing
Program Manager, provincial housing authority
Property Manager for Rental Property Owner
Rental Property Owner
Rental Property Owner
Rental Property Owner
Economic Development Officer
Town Clerk
Real Estate Agent
Real Estate Agent

Economic Base

The port, Stora Forest Products Ltd., the retail sector, and some tourism activity form the key economic activities for this area.

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-5) yields the following observations:

- 32% of households rented in 1991, with 30% renting in 1996.
- There has been no change in the absolute number of renter households.
- About the same percentage (23%) of renter households are paying less than 15% of their income for rent.
- Many more renter households (31% to 44%) are paying 30% or more of their income for rent, with an additional 45 households paying more than 50%.
- There has been a significant relative increase in single parents renting, up 40 to 21% of all renter households. Single person households are 40% of all renter households.
- There has been a significant relative decline in those aged 20-29 years renting, from 35% down to 22% of all renter households.

Table A-5 Profile of Renters in Port Hawkesbury 1991-1996						
	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	410		27415	410		31442
Gross rent as a percentage of Income						
Less than 15%	90	22	60746	95	23	74664
15 - 19%	80	20	31495	25	6	39592
20 - 24%	40	10	24501	40	10	26643
25 - 29%	75	18	14579	55	13	25266
30 - 34%	15	4	14554	25	6	15666
35 - 39%	25	6	16554	20	5	17860
40 - 49%	15	4	13387	20	5	15974
50% and over	70	17	6567	115	28	6296
Household Type						
Husband-Wife families	135	33	37503	115	28	33429
Lone Parent families	45	11	11949	85	21	14385
Single persons	170	41	17196	165	40	18848
All other families	60	15	44444	55	13	87991
Age of Household Maintainer						
Ages 15-19	10	2	0	15	4	20929
Ages 20-29	145	35	29427	90	22	18329
Ages 30-64	185	45	32837	245	59	24428
65 Years +	75	18	12834	65	16	28075
Household Income Groups						
Less than $19,999	215	52	11424	205	49	9634
$20,000 - $39,999	110	27	29981	115	28	27488
$40,000 and over	90	22	62404	95	23	80001

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental stock profiles from the 1991 and 1996 census data (Table A-6) yields the following observations:

- The number of units rented has remained the same, but 30 new units have been built between 1991 and 1996.
- The mix of structural types within the rental stock has not changed.
- Slightly fewer of the rental units (5%) require major repairs.

Table A-6 Profile of Rental Stock in Port Hawkesbury, 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	410		27415	410		31442
Structural Type of Dwelling						
Single-detached	65	16	42687	65	16	24289
Semi-detached	40	10	35434	50	12	21291
Multiple	300	72	22698	290	70	34018
Other	0	0	0	10	2	39064
Condition of Dwelling						
regular maintenance	285	70	25628	290	70	34294
major repairs	30	7	32132	20	5	18025
minor repairs	95	23	31088	105	25	25110
Period of Construction						
Post 1990	0	0	0	30	7	37996
1981 - 1990	55	13	26757	35	8	121419
Pre 1980	355	86	27518	345	83	20696

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

There was very little consensus among key informants about whether or not there had been much change in the profile of renters since 1990. However, there was agreement that single-parent families, low-income families, seniors, and short-term renters (construction workers) had all increased as percentages of the renters in the community since 1990.

Key informants pointed out that people on social assistance were forced to come into town to find rental housing. For example, in 1995, of 118 people on social assistance, only 22 were originally from the town itself. People who had money or who were building their own homes were moving just outside town limits to avoid property taxes. Most rental units are only available in town, which meant that anyone who wished to rent either had to do so within the town limits, or move to another town. Some informants mentioned that people were doing just that, living as far away as Antigonish (about 45 minutes) in order to find housing.

There were diverging points of view about the changing ownership structure of rental housing. Some of the informants noted an increase in the number of both large and small scale landlords. Others noted that the number of rental units had gone up, but not the number of landlords, suggesting that rental ownership was becoming somewhat more concentrated. This comment can be attributed to new construction by existing rental property owners while others got out of the business.

The Impact of the Changing Rural Economy

The refit of the Stora paper mill and construction of the Sable natural gas pipeline have been major contributors to growing the economy of the community. In particular, they had significantly increased short term demand for rental housing in the late 1990s. One informant mentioned that the biggest change was the increase in shopping facilities, and then mentioned the work brought in by the mill expansion as seasonal. Another mentioned the influx of fast-food franchises in recent years, and also characterized the mill expansion as a boom time which had now ended. He pointed out that at one point people were "renting sheds" to meet the demand. There appears to be a feeling that an economic boom period was just ending now, but that new opportunities in the not too distant future will result in another boom. Most key informants agreed that the rental market had been a "sellers market" for some time (meaning that landlords could pick and choose to whom they rented), but opinions differed on whether or not there was sufficient demand for this to still be the case. Those involved in social housing felt that even if demand was down again, the boom had priced most rentals out of reach for the low-income population.

Most informants pointed out that rents had risen in recent years, with one respondent estimating a $100 increase for two-bedroom apartments. These rents were mostly charged on new buildings, which had been built to meet the demand. These new buildings also resulted in an increase in the availability of quality apartments. An issue cited mostly by realtors was the lack of serviced lots to meet demand for permanent housing, which had also increased, as had the demand for executive style homes. In response, the town was developing a subdivision, while other individuals were beginning to build outside of town to avoid taxes.

The volume of rental stock increased dramatically during the boom, mostly since the 1996 census data capture. New apartments and homes were built, and many other units were converted into rentals. Others moved into cottages or other residences in order to rent their principal residence for economic gain. This was particularly true of people who already owned executive-style homes. Another respondent mentioned that empty nesters were adding basement apartments to their homes and either renting them or moving into them and renting the top of the house. There was no increase in public housing, and although the demand seems to have levelled off, prices have not gone down.

It is clear that in this market there is a two-tier system of rental housing; one for lower income households (singles and families on social assistance), and one for higher income households (some seniors, construction workers, and young couples).

The Impact of Government Policy and Program Changes

Most key informants identified that lower interest rates were more of a factor than the 5% downpayment option in encouraging people to move into ownership. One rental property owner who rented to mostly lower income households said that while his tenants were very reliable, they "couldn't get a house if it were 0%" because they simply had no cash savings. He also pointed out that banks were seldom willing to loan to his tenants for anything. This reinforces the point that there will always be a need for rental housing for those who simply are unable to save for a home purchase.

In terms of the social housing stock, most of the informants were unaware that there had been no new developments since 1993. Once this was pointed out, most felt that this had no impact on the rental market. A number of them felt that the lack of an adequate number of social housing units was hurting people's chances to become self-sufficient, and that a steady waiting list still existed.

One respondent said that he thought the amount of existing social housing was enough to meet the demand.

Opportunities for Private Sector Investment

Key informants identified four major factors limiting new rental housing development at this time: a lack of serviced, zoned lots; a lack of available cash among existing rental property owners and a lack of new investors; the uncertain nature of demand, due to the boom/bust pattern; and relatively high property taxes which translated into a need to charge higher rents. NIMBY was identified as a problem by one rental property owner who was developing accessory apartments. However, some citizens circulated a petition and succeeded in having a bylaw passed that stated only live-in landlords could own basement apartments.

Private developers generally consider how long it would take to recover their initial investment (return on equity) based on the cost of taxes, construction and mortgage, in order to determine if a development is a go or not. The second major factor is ensuring that there is a sufficient demand to fill the units.

Opportunities for Community-based Investment and Government Intervention

Other than a demand for higher quality, lower priced rental units for low income households, there appear to be few opportunities. However, given rental property owners calls for lower taxes and more land that is already serviced and appropriately zoned, there may be opportunities for action by local government.

Middleton, Nova Scotia

Geography

Middleton is a small town of 1,800 residents (855 households) located mid-way between Kentville and Annapolis Royal in the fertile Annapolis Valley. It serves as a small service centre for the surrounding rural farm communities. CFB Greenwood with some 2,000 military personnel is located nearby.

Key Informant Interviews

Program Manager, provincial housing authority
Property Manager for Rental Property Owner
Property Manager for Rental Property Owner
Rental Property Owner
Rental Property Owner
Town Clerk
Real Estate Agent
Real Estate Agent

Economic Base

The economy is based almost exclusively on retail and services, plus the activity at the military base. There is a campus of the Nova Scotia Community College in town.

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-7) yields the following observations:

- 44% of households rented in 1991, 46% of households rented in 1996.
- There was an increase of 30 additional renters in that time.
- Many fewer renter households (down from 16% to 10%) are paying less than 15% of their income for rent.
- There are many more renter households (up from 46% to 63%) paying 30% or more of their income for rent.
- There has been no change in the number of single parents renting (60), but the number of husband-wife families renting is down 40 to only 14% of all renter households, while the number of single persons (most older people) renting is up 55 to 62% of all renter households.
- There has been a decline in those aged 20-29 years renting to 55 or 15% of all renter households, with corresponding increases in the number of renter households aged 30-64 years, and aged 65+, to more than 40% each.

Table A-7 Profile of Renters in Middleton 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	355		18216	385		21244
Gross rent as a percentage of income						
Less than 15%	55	16	38429	40	10	51987
15 - 19%	45	13	30332	50	13	41784
20 - 24%	25	7	23229	40	10	22609
25 - 29%	65	18	15231	15	4	17886
30 - 34%	20	6	15323	45	12	14308
35 - 39%	15	4	11680	15	4	11957
40 - 49%	40	11	10736	40	10	13424
50% and over	85	24	5285	130	34	8680
Household Type						
Husband-Wife families	95	27	25194	55	14	32461
Lone Parent families	60	17	15403	60	15	13716
Single persons	185	52	16114	240	62	17347
All other families	20	6	13727	35	9	38797
Age of Household Maintainer						
Ages 15-19	0	0	0	0	0	0
Ages 20-29	95	27	13152	55	14	24785
Ages 30-64	130	37	22270	165	42	22532
65 Years +	130	37	17829	170	44	18898
Household Income Groups						
Less than $19,999	230	65	9605	255	65	10787
$20,000 - $39,999	90	25	26220	70	18	28748
$40,000 and over	35	10	51952	65	17	51644

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental stock profiles from the 1991 and 1996 census data (Table A-8) yields the following observations:

- The number of units rented has increased by 30 to 385 units.
- There has been an increase of 30 single detached houses rented, representing 19% of the stock.
- The general condition of stock is declining, with a drop from 75% to 71% of the stock requiring only regular maintenance, and with 26% now requiring minor repairs.
- There has been no new construction in the 1991-1996 time period. The additional units rented were primarily built between 1981 and 1990. These may have been converted from ownership units, or simply vacant units now occupied. Others were picked up by private developers from the military and rented.

Table A-8 Profile of Rental Stock in Middleton, 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	355		18216	385		21244
Structural Type of Dwelling						
Single-detached	45	13	27533	75	19	27502
Semi-detached	25	7	6652	25	6	11566
Multiple	290	82	17697	280	72	20166
Other	0	0	0	10	3	0
Condition of Dwelling						
regular maintenance	265	75	17985	275	71	19294
major repairs	25	7	11490	20	5	21211
minor repairs	60	17	22383	100	26	25319
Period of Construction						
Post 1990	0	0	0	0	0	0
1981 - 1990	50	14	14578	85	22	19970
Pre 1980	305	86	18826	295	76	21282

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Key informants indicated that there had been an increasing number of seniors making up the renters in Middleton. They also noted that short term, student renters were on the increase as well. On this latter point, however, census data suggested a drop in the number of renters aged 20-29 years. The perceived increase may have occurred in post Census years.

About half of the key informants noted that people are moving outside of town limits in order to take of advantage of reduced taxes without diminishing their access to services. One informant noted that seniors were more likely to look for rental in town while younger people headed out to the country.

Some informants noted an increase in the number of landlords, particularly those with many units to rent. The military base at Greenwood had disposed of some units (about 50) from its stock, and these were picked up by private landlords and rented.

The Impact of the Changing Rural Economy

Only two informants mentioned that any change at all had occurred. They identified that the base and the community college drove the rental market. In the case of the former, the base has experienced some downsizing which reduced the number of renters. On the other hand, the college was growing somewhat (in the post 1996 census period) and this increased the number of renters, but a different type of renter. The most prevalent comment, however, was that the rental market was "stagnant." In general, informants felt that there have really only been minimal price and stock increases in both the ownership and rental markets over the past ten years.

The Impact of Government Policy and Program Changes

The impact of lower interest rates and the introduction of a 5% downpayment option were seen to have some impact on moving people out of rental. In particular younger families were taking advantage of this.

In terms of no new social housing construction since 1993, three of the informants felt that low-income people were not getting the housing they needed. However, one suggested that the government had been "building ghettos," and was glad they had stopped their involvement in housing supply. The provincial housing manager felt that low-income housing was in short supply and that low-income people who weren't in social housing were living in substandard units. None of the key informants offered any solutions to the problems.

Opportunities for Private Sector Investment

Given that this rental market has had very limited movement (except for modest increases in the number of seniors and students renting) within it over the past ten years, it is not surprising that there is little interest in new development at the present time. One informant noted "I was away for thirty years and nothing changed." Several limiting factors were mentioned: property taxes were too high; land was priced too high and it was not properly zoned; and lack of demand from a segment which could afford market rents. Another informant also noted that "city slickers" had trouble selling their monster homes when they were finished with them, and that many people still built for themselves in order to keep costs to a minimum.

Rental property owners identified two potential sources of demand in the coming years: seniors market and low income households. This latter group is one which many would prefer not to rent to.

Most rental property owners take a simplistic approach to assessing financial risk. If there is demonstrated demand, there is a need to assess the costs of satisfying the demand and balancing that with being satisfied with how long it would take to start earning an income. One rental property owner noted that being a rental property owner was "a safe way to earn a living."

No rental property owner identified any major problems obtaining financing for rental housing. However, it was noted that when one renovated a rental property, it had the effect of significantly driving up the amount of taxes to pay because of increased assessed values. Thus rental property renovation was not worthwhile. This may explain the relative decline in stock condition observed in the census data.

Opportunities for Community-based Investment and Government Intervention

Responding to demand from a growing seniors market might pose some opportunity for a collaborative approach to developing new rental properties. It is also widely recognized in this market area that those with low incomes require some form of intervention. Furthermore, given the comments about land and taxes, there seems to be some opportunity at the municipal level to examine creative ways to support rental housing development by the private sector.

Shelburne, Nova Scotia

Geography

The Town of Shelburne has 2,132 people (880 households) and is located along the southwest coast of Nova Scotia, between two larger towns of about 8,000 people each, namely Bridgewater and Yarmouth.

Key Informant Interviews
Program Manager, provincial housing authority
Rental Property Owner
Rental Property Owner
Town Clerk
Economic Development Officer
Town Clerk
Building Inspector
Real Estate Agent
Real Estate Agent

Economic Base

Fishing dominates the economic activity in this and surrounding communities. However, given its status as an incorporated centre in a very rural part of the province, it serves as an important regional service centre and has a campus of the Nova Scotia Community College.

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-9) yields the following observations:

- 33% of households rented in 1991, and that increased to 38% of households in 1996.
- There has been an increase of 45 renter households.
- The average income of renter households has dropped from $24,600 to $20,900.
- Many fewer renter households (from 32% down to 15%) are paying less than 15% of their income for rent.
- Many more renter households (22% to 49%) are paying 30% or more of their income for rent.
- There has been a significant increase in single parents renting, up 50 to 32% of all renter households.
- There has been decline in the number (from 85 to 50) and percentage (now 15% of all renter households) of seniors who rent, while there has been a major increase in households age 20-29 (to 115 households or 35% of renter households).
- There has been a dramatic rise in the number and percentage of renters earning less than $20,000. These households grew by 50 and now represent 62% of all renter households.

Table A-9 Profile of Renters in Shelburne - 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	280		24610	325		20927
Gross rent as a percentage of Income						
Less than 15%	90	32	40407	50	15	46889
15 - 19%	55	9	28009	30	9	37069
20 - 24%	25	8	16232	40	12	23725
25 - 29%	40	14	15717	40	12	17049
30 - 34%	15	5	12292	25	8	16792
35 - 39%	0	0	0	0	0	0
40 - 49%	20	7	11077	40	12	13758
50% and over	30	10	8061	95	29	5847
Household Type						
Husband-Wife families	90	32	32566	95	29	33029
Lone Parent families	55	20	13153	105	32	14016
Single persons	120	43	21899	105	32	16963
All other families	10	4	0	20	6	20189
Age of Household Maintainer						
Ages 15-19	0	0	0	0	0	0
Ages 20-29	50	18	21228	115	35	23414
Ages 30-64	150	54	27732	165	51	20230
65 Years +	85	30	21187	50	15	17507
Household Income Groups						
Less than $19,999	155	59	11187	205	62	10591
$20,000 - $39,999	60	21	28116	85	26	28955
$40,000 and over	55	20	54516	40	12	54689

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental stock profiles from the 1991 and 1996 census data (Table A-10) yields the following observations:

- The number of units rented has increased from 280 to 325.
- The increase has been primarily in the number of rental units in multiple unit buildings (35). Single detached houses which are rented remain unchanged in their number and represent one-quarter of the stock.
- The condition of stock is declining somewhat, with 65% of the units now requiring only regular maintenance, but with 90 units or 28% requiring minor repairs.
- The rental stock is aging. No new units were added between 1991 and 1996. At least 35 of the units built between 1980 and 1990 are no longer rented. Many of the additional units are thus conversions of existing units built prior to 1980 from ownership to rental (primarily from the military base), or of previously vacant units from that time period now occupied.

Table A-10 Profile of Rental Stock in Shelburne 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	280		24610	325		20927
Structural Type of Dwelling						
Single-detached	80	29	32356	80	24	29643
Semi-detached	20	7	12253	20	6	25141
Multiple	145	52	24584	180	55	18382
Other	35	13	14993	50	15	14967
Condition of Dwelling						
regular maintenance	190	68	21271	210	65	20333
major repairs	25	9	29539	30	9	4958
minor repairs	65	23	32636	90	28	27659
Period of Construction						
Post 1990	0	0	0	0	0	0
1981- 1990	70	25	26239	35	11	23613
Pre 1980	205	75	24400	285	86	20180

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Most key informants noted an increase in the number of families who were renting, as well as single people (students) and elderly people. For the most part these observations do not match the statistical picture painted by the census, particularly where it shows fewer elderly renters. A representative from the housing authority noted that low income empty nesters living in social housing were difficult to help because they were usually ineligible for both family and senior housing, and were "forced" into the private sector.

In terms of rental property ownership, it was suggested that there has been a small increase in the number of landlords.

The Impact of the Changing Rural Economy

Most of the changes noted were those that had negatively affected the economy. Most often mentioned was the downturn in the fishing economy, including the problems associated with the closure of the ground fishery and reduced shellfish quotas. Other closures mentioned were those of local businesses and industry in the area, as well the nearby naval base. The only positive change or impact was the recent filming of *The Scarlet Letter* in the area, which provided brief but intense employment. The Regional Development Authority is attempting to develop activity associated with the sound stage left from the filming activity, and to develop a more diverse and healthy agricultural and manufacturing base.

Most key informants noted that the housing market in general is a buyers market. Rents, house prices, and general demand across all price ranges and types is down. The privatization of units from the base closure had increased the supply dramatically in recent years, and contributed to the depressed housing market.

The Impact of Government Policy and Program Changes

Not many informants credited lower interest rates or the introduction of a 5% downpayment option for ownership as having much of an effect on the local housing market in general and on rental housing specifically. One informant pointed out that more people were switching homes (moving laterally or slightly up the ownership ladder), as opposed to moving from rental into ownership. Another pointed out that in an economically depressed area, 5% of a very modest income is still a lot of money, and few households can muster the savings for a downpayment.

In terms of no new social housing construction since 1993, most informants were unaware that this had in fact occurred. Those who were aware, were split in opinion on its impact. One real estate broker and one rental property owner felt that the market was saturated with public housing, and that no problems existed due to lack of supply for its clientele. This rental property owner also pointed out that it was impossible to get people on social assistance to honour a lease, because they would skip out as soon as a better deal became available, and their limited income made it impossible to recover losses. Another informant suggested that the recent availability of units from the closure of CFB Shelburne at modest prices was compensating for the lack of new social housing construction. In general there is constant demand for social housing units, and the waiting lists are getting longer each year. Another rental property owner pointed out that the local housing co-operative competed with rental property owners for quality tenants.

Opportunities for Private Sector Investment

Several key informants pointed out that the depressed economy and a lack of demand were major factors limiting any new rental market opportunities. Two mentioned that a high volume of social housing was hurting the market, and also depressing it, because the residents "had no pride in keeping their own place fit." One rental property owner said he wanted to get out of the business because of declining rates of return, and that he would accept $25,000 less now than he would have 8 years ago for his portfolio.

In terms of investment decisions, the price of new construction and condition of existing units (if purchasing from another owner) were deemed to be the most important considerations. However, one rental property owner emphasized that he hadn't invested in any new rental properties fifteen years, and he didn't think any one else had either.

Only one rental property owner identified problems obtaining a loan from any of the major banks, and he had to go to a credit union to obtain the loan. Another pointed out that he didn't think the banks would loan to anyone currently given the difficult economic situation and lack of market demand in the area.

Opportunities for Community-based Investment and Government Intervention

The only opportunity mentioned was in the senior housing market, where there was some expectation that there might be increased demand in the coming years. Most informants said that there were no other opportunities present, unless the economy picked up again.

Alberton, Prince Edward Island

Geography

Alberton is a small community of 1,084 residents (415 households) in the far western part of Prince County. It serves as a regional service centre. Summerside, with a population of more than 10,000, is about a one hour drive to the east.

Economic Base

The economy is based primarily around government and personal services, and limited retail services. The surrounding rural communities are largely agricultural and/or fishery based.

Key Informant Interviews
Housing Officer, West Prince Health
Housing Manger, Economic Development Authority
Rental Property Owner
Rental Property Owner
Lending Officer, Bank
Town Administrator
Real Estate Agent
Real Estate Agent

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-11) yields the following observations:

- 44% of households rented in 1991, 45% of households rented in 1996.
- There has been an increase of 25 renter households.
- Slightly fewer renter households (from 31% down to 25%) are paying less than 15% of their income for rent.
- There has been no change in the percent of renter households paying 30% or more of their income for rent (46%).
- There has been a slight decline in the number of single parents renting, down to 30, or 16% of all renter households. There has been increase of 25 husband and wife families, who now represent 44% of all renter households. Single person renter households, mostly older persons, represent 35% of all renter households.
- There has been an increase of 40 households aged 30-64 years renting and they represent almost 50% of the renter households. It has been suggested that early retirees are in part responsible for the increase in this cohort.
- The average income of those renting has increased from $19,300 to $26,300.

Table A-11 Profile of Renters in Alberton, 1991-1996[1]

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	160		19348	185		26305
Gross rent as a percentage of income						
Less than 15%	50	31	30396	40	25	51015
15 - 19%	15	9	30064	35	19	33454
20 - 24%	10	6	0	10	5	20296
25 - 29%	25	16	13068	10	5	0
30 - 34%	25	16	12392	35	19	14511
35 - 39%	0	0	0	10	5	14247
40 - 49%	20	13	13672	20	11	13364
50% and over	25	16	6032	20	11	7760
Household Type						
Husband-Wife families	60	38	29102	85	44	32594
Lone Parent families	35	22	12019	30	16	16428
Single persons	60	38	13364	65	35	16167
All other families	10	6	0	10	5	0
Age of Household Maintainer						
Ages 15-19	10	6	0	0	0	0
Ages 20-29	35	22	18419	35	19	14876
Ages 30-64	50	31	28992	90	49	38261
65 Years and Over	65	41	14647	60	32	16044
Household Income Groups						
Less than $19,999	105	66	10308	95	53	11610
$20,000 - $39,999	35	22	27333	60	33	28469
$40,000 and over	25	16	46688	25	14	77812

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental profiles from the 1991 and 1996 census data (Table A-12) yields the following observations:

- The number of units rented has increased by 25.
- The number of single detached houses rented dropped by 5 and represents 25% of the stock.
- The number of units in multiple unit buildings has increased by 25 and now represents almost half of the stock.
- The condition of stock has greatly improved, with an increase from 66% to 81% of the stock requiring only regular maintenance, and with only 10 units or 5% requiring major repairs.
- The increase in the number of rental units is largely attributed to the construction of 25 new units in 1991-1996.
- There was a major increase in the average income of those renting single detached houses, up from $18,500 in 1991 to $51,000 in 1996.

Table A-12 Profile of Rental Stock in Alberton 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	160		19348	185		26305
Structural Type of Dwelling						
Single-detached	45	28	18461	40	25	51427
Semi-detached	45	28	24547	45	24	15818
Multiple	60	38	14432	85	46	17652
Other	10	6	28021	10	5	34545
Condition of Dwelling						
regular maintenance	105	66	22139	150	81	27344
major repairs	0	0	0	10	5	0
minor repairs	50	31	13663	25	14	17332
Period of Construction						
Post 1990	0	0	0	25	11	41258
1981 - 1990	40	25	27307	45	25	18567
Pre 1980	120	75	16795	115	64	26688

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

There was some consensus that the number of single parent families had increased (but this was not reflected in the census data), and widespread agreement that the number of senior citizen renters had increased.

There was a sense among the informants that the number of landlords had increased, suggesting that the concentration of rental property ownership was decreasing.

The Impact of the Changing Rural Economy

The housing market for seniors has been booming, both in terms of ownership and rental, as seniors from elsewhere in the country move back to the area to retire, or move in from the surrounding countryside for better access to services. This has led to the construction of several small scale seniors' apartment complexes in recent years. Key informants noted that the seniors market had driven up prices and the overall quality of rental units. Most informants were aware that approximately 50 new units have been built this decade (some in the post 1996 census period), with most geared to seniors and some to professionals.

The Impact of Government Policy and Program Changes

Key informants felt that the 5% downpayment option and low interest rates have had some impact in moving people from rental to ownership. The general impression is that the overall housing market is healthy.

In terms of no new social housing construction, most informants didn't seem to think that there were many people for whom this was a problem. The representative responsible for social housing said that demand was steady, but that total volume on waiting lists had not changed.

Opportunities for Private Sector Investment

Only two informants felt there were opportunities for further rental development: in the seniors market, and for people with disabilities. However, the major factors deterring any development at the moment were a lack of demand (although expected to manifest itself soon), a sluggish economy, and high construction costs.

Rental property owners identified equity (did they have sufficient equity to meet financing demands of lenders, and to keep their own financing costs down) and cost of construction as the major factors they considered in making a decision to invest in new rental properties. They also pointed out that the banks could be picky with regard to financing, seeing rental housing as high risk and demanding high and unreasonable equity ratios. One rental property owner had to go to Summerside in order to get financing.

Opportunities for Community-based Investment and Government Intervention

There were no opportunities identified by the informants.

Tracadie-Sheila, New Brunswick

Geography

This is small francophone community of 4,773 residents (1,725 households) on the Acadian Peninsula, about 40 minutes drive northeast of Miramichi City, a community of about 20,000 residents. There are several other small towns located along the coast near Tracadie-Sheila.

Key Informant Interviews

Manger, provincial housing
Real Estate Agent
Rental Property Owner
Rental Property Owner
Economic Development Officer

Economic Base

The community's economic is driven largely by it role as a small regional retail and service centre and as a government service centre. The fishery and fish processing, both of which have been in relative decline over the last ten years, are also important in the community's economic fabric.

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-13) yields the following observations:

- 35% of households rented in 1991, 36% of households rented in 1996.
- There was an increase of 155 renter households.
- Relatively more renter households (up from 13% to 22%) are paying less than 15% of their income for rent.
- Fewer renter households (down from 58% to 47%) are paying 30% or more of their income for rent.
- There were increases in a household types, with most increases being among husband and wife families (up 55 to 30% of all renter households) and single person households (up 75 to 38% of all renter households).
- There were increases among those aged 30-64 years, and those 65+ years. Seniors now represent 22% of all renter households.
- The average income of all renter households increased from $16,000 to $23,900. There was an increase of 65 households earning more than $40,000 who are renting; this cohort now represents 14% of all renter households.

Table A-13 Profile of Renters in Tracadie-Sheila 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	465		15952	620		23887
Gross rent as a % of Income						
Less than 15%	60	13	35251	135	22	55597
15 - 19%	45	10	22911	65	11	28254
20 - 24%	60	13	21367	40	7	20122
25 - 29%	40	9	14720	90	15	18890
30 - 34%	85	18	12349	60	10	12611
35 - 39%	50	11	11017	50	8	13630
40 - 49%	25	5	11471	50	8	12231
50% and over	110	24	5869	130	21	5937
Household Type						
Husband-Wife families	130	28	25038	185	30	40723
Lone Parent families	125	27	9320	135	22	12221
Single persons	165	36	12848	240	38	15198
All other families	45	10	19925	65	10	33032
Age of Household Maintainer						
Ages 15-19	0	0	0	0	0	0
Ages 20-29	155	33	15747	140	22	20173
Ages 30-64	220	47	17697	340	54	28424
65 Years and Over	85	18	12192	140	22	16732
Household Income Groups						
Less than $19,999	355	76	10390	385	62	10971
$20,000 - $39,999	90	19	27609	145	23	27543
$40,000 and over	25	5	51956	90	14	72891

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental stock profiles from the 1991 and 1996 census data (Table A-14) yields the following observations:

- The number of units rented increased by 155 to 620.
- There was an increase of 200 single detached houses rented, representing 14% of the rental stock.
- There 160 additional units rented in multiple unit buildings.
- The general condition of the rental stock is improving, now 72% requiring only regular maintenance, and with only 45 units or 7% requiring major repairs.
- There were 100 new rental units constructed between 1991 and 1996. The remaining additions to the rental stock came from either conversions of existing properties from ownership to rental, or of previously vacant rental units now being occupied.

Table A-14 Profile of Rental Stock in Tracadie-Sheila 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	465		15952	620		23887
Structural Type of Dwelling						
Single-detached	65	14	17929	85	14	36804
Semi-detached	120	26	18336	120	19	21133
Multiple	250	54	14241	410	66	21929
Other	30	7	15944	10	2	31576
Condition of Dwelling						
regular maintenance	325	70	16843	450	72	23499
major repairs	35	8	10908	45	7	28498
minor repairs	105	23	14883	130	21	23644
Period of Construction						
Post 1990	10	2	0	110	18	35295
1981 - 1990	105	22	23001	150	24	17438
Pre 1980	355	76	13843	360	58	23203

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

All informants noted that there has been an increase in the number of elderly (particularly those moving in from outside the community) and single parent families among renters. Two of the informants suggested that the number of low income single person households among the renters was also on the rise. In each case these are supported by the census data.

Most of the informants noted that there had been no change in the number of landlords. Most observed that the government was an important supplier of rental housing, supplying up to half of the stock. Private sector landlords generally provide rental housing for semi or early retired persons and for the elderly, while the government generally provides subsidized rental housing for low income households, namely single parent families, other families, and some seniors.

The Impact of the Changing Rural Economy

The economy of the entire region of the Acadian Peninsula, where this community is located, is depressed and has suffered continued setbacks in the seasonal economy of fishing. However, Tracadie-Sheila has managed to weather the storm somewhat given its role as a regional service centre. It has seen some increase in population as people move from other parts of the Peninsula to this community for employment opportunities and services.

Two informants noted that on top of poor economic performance has been the negative impact of the changes from unemployment insurance to employment insurance. The new regulations have resulted in reduced household income and rental housing has become more expensive for some households.

The net effect of the poor economic performance has been long term depressed housing prices with very little resale activity and very little growth in the value of real estate. There have been three or four small private sector apartment complexes developed in this decade, primarily in response to increased demand from people moving into the community, totalling no more than 50 units. Rents charged for rental housing have remained relatively constant in the 1990s, and some respondents noted that the overall quality of the rental stock has declined. However, the census data for 1991 and 1996 does not suggest that this is the case. Perhaps it is more the case that in the last few years the stock has shown more signs of decline and disrepair.

There is very little, if any, rental housing in the surrounding rural communities, where approximately 10,000 additional residents live. These areas are primarily locations for single detached homeownership units. Informants noted that people continue to build there, and build their own houses, to take advantage of lower taxes.

The Impact of Government Policy and Program Changes

A common observation from several informants is that most people who are renting want to own their own home. However, given the low incomes of most renters, it was suggested that neither the 5% downpayment option nor the lower interest rates were particularly helpful in facilitating a move out of rental housing among younger family households. It was noted that for a small portion of households who might normally have rented for a while before deciding to build or buy a house, they are choosing homeownership immediately without renting in the market.

In terms of no new social housing construction, it was identified by the provincial housing manager that the result has been an increase in people on the waiting list for social housing, and that there are very few choices for addressing the housing needs of those with crisis situations or special needs.

One informant felt that because the government is such a large provider of rental housing and that the rents are subsidized and therefore lower than in the private market, that they create a bit of unfair competition. However, it was uniformly recognized that subsidized housing is required.

Opportunities for Private Sector Investment

All informants felt that there were no further opportunities for further rental property investment at this time. The key factors included: the poor economy and lack of job stability; lack of demand for more rental housing, particularly by those able to pay market rents; a high ratio of renters on social assistance which diminishes possibilities for a good return on investment; and the relatively high cost of new construction, which would further lengthen the time to obtain a good return on investment.

The two rental property owners identified cost of construction, return on investment, and the amount of rent they could charge as they three key factors they assess in making decisions to invest in new rental property development. Neither owner had any problems obtaining the necessary financing for their rental properties when they were developed.

Opportunities for Community-based Investment and Government Intervention

The short answer for Tracadie-Sheila is that because of the uncertain and unstable economic situation, there is a need for some form of housing assistance for many households. Right now the government is a major landlord or supplier in this community. It is doubtful that they can provide more without dominating the market. However, several informants felt that the private sector in partnership with the government (through rent supplements paid directly to the rental property owner, for example) could be one solution.

Perth Andover, New Brunswick

Geography

Perth Andover is a small village of 1,861 residents (775 households) located in the upper reaches of the St. John River Valley. The nearest centres are Grand Falls-Grand Sault (about 4,500 people) to the north, and Woodstock (also about 4,500 people) to the south.

Key Informant Interviews

Manager, provincial housing
Rental Property Owner
Rental Property Owner
Rental Property Owner
Rental Property Owner
Manager, Community Services
Real Estate Agent
Real Estate Agent

Economic Base

The economy of the area is almost exclusively based on agriculture in general and potatoes more specifically. There are few retail and personal services in the community, as people commute to other centres for these.

Profile of Renters

An analysis of renter profiles from the 1991 and 1996 census data (Table A-15) yields the following observations:

- 38% of households rented in 1991, and 33% of households rented in 1996
- There were 30 fewer renter households in this time period.
- Slightly fewer renter households (down from 28% to 20%) are paying less than 15% of their income for rent.
- Many more renter households (up from 28% to 38%) are paying 30% or more of their income for rent.
- Most of the change in household type has been in the form of 45 fewer "all other families". Single parent families represent 18% of the renters.
- Seniors age 65+ years represent 20% of all renter households, and there are 20 fewer renting in 1996 compared to 1991.
- The average income of all renter households has declined from $21,700 in 1991 to $16,700 in 1996.

Table A-15 Profile of Renters in Perth Andover, 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	285		21716	255		16744
Gross Rent As a % of Income						
Less than 15%	80	28	36316	50	20	31610
15 - 19%	40	14	26323	25	10	22948
20 - 24%	50	18	22706	30	12	18317
25 - 29%	40	14	12155	50	20	15807
30 - 34%	15	5	14893	15	6	11530
35 - 39%	20	7	10284	0	0	0
40 - 49%	15	5	8690	30	12	9607
50% and over	30	11	5276	50	20	5275
Household Type						
Husband-Wife families	100	35	24946	90	35	20364
Lone Parent families	35	12	15794	45	18	13342
Single persons	100	35	16506	110	43	12320
All other families	55	19	28929	10	4	45136
Age of Household Maintainer						
Ages 15-19	0	0	0	0	0	0
Ages 20-29	95	33	22280	85	33	16680
Ages 30-64	120	41	26096	125	49	17900
65 Years +	70	24	14046	50	20	15057
Household Income Groups						
Less than $19,999	155	53	11426	165	65	10000
$20,000 - $39,999	105	36	28389	70	28	24990
$40,000 and over	25	9	59849	20	8	44054

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Profile of Rental Stock

An analysis of rental stock profiles from the 1991 and 1996 census data (Table A-16) yields the following observations:

- There were 30 fewer units rented in 1996 compared to 1991.
- There was a decline from 95 to 30 in the number of single detached houses rented. This is due in part to the loss of units from the flood earlier in the decade. This form now represents 12% of the stock.
- There were 45 additional units rented in multiple unit buildings
- The condition of the rental stock relatively poor but improving. In 1991 21% of the stock required major repairs, but by 1996 this had fallen to 10%. However, only 59% of the stock is considered to require only regular maintenance.
- A total of 55 new units were built between 1991 and 1996, primarily to replace units lost to the flood at the beginning of the decade.

Table A-16 Profile of Rental Stock in Perth Andover, 1991-1996

	1991			1996		
	Number	% Distr	HH Income	Number	% Distr	HH Income
Total	285		21716	255		16744
Structural Type of Dwelling						
Single-detached	95	33	24024	30	12	25588
Semi-detached	15	5	15340	10	4	17340
Multiple	140	49	21517	185	73	14658
Other	30	11	19121	30	12	20890
Condition of Dwelling						
regular maintenance	160	55	21010	150	59	14605
major repairs	60	21	15086	25	10	14800
minor repairs	65	22	29172	80	31	21213
Period of Construction						
Post 1991	0	0	0	55	22	17452
1981 - 1990	75	26	17509	45	18	18869
Pre 1980	215	75	23170	155	61	15841

Source: Statistics Canada, custom tabulations from 1991 and 1996 censuses.

Most of the informants seemed to feel that there was an increase in the number of single-parent families renting, although this is not reflected in the census data. Several, but not all, informants mentioned that there were more senior citizens and empty nesters who were renting, but again, this does fit with the census data. The social housing representative pointed out that low income empty nesters and seniors living in social housing were difficult cases, because they were often still plugging up family housing that they had been in for 10-15 years and didn't want to leave.

Most of the informants noted a small increase in the number of rental property owners.

The Impact of the Changing Rural Economy

The single most influential issue affecting the economy and housing in the community is the two major floods which took place in 1993. These washed away about 90 housing units, and forced many other units to be relocated off the flood plain. The economy in the community and surrounding rural areas has been very quiet with little change, and therefore there has been little movement in the housing sector.

The increase in new rental stock was largely paid for through insurance claims as a result of the flood. There were also some conversions of ownership properties. One informant mentioned that in general average rents have increased in 1990s. There seems to be a gap in a sufficient supply of affordable units to meet the needs of low-income single persons.

There is very little, if any, rental housing in the rural countryside. Some people are building new single detached ownership units in rural areas to take advantage of lower taxes, and others currently living in rural areas near Perth Andover are selling those properties and retiring to more rural locations. Those wishing to rent are forced to come into the village to find accommodation.

The Impact of Government Policy and Program Changes

The 5% downpayment option was widely viewed as not being particularly helpful since the amount required for a downpayment is still too much for many low income households. A new provincial program providing a low-risk loan of 15% for low-income homebuyers was also identified as having little impact because of low incomes. Low interest rates, however, seem to be more important, but only for those earning more than $30,000.

In terms of no new social housing construction, it was identified by the regional housing manager that there was a huge waiting list, and that there was a need for the federal government to look at options for renewed participation. However, one rental property owner felt that the government should get out of rental housing altogether since its presence made it impossible for private sector landlords to compete. He suggested that low-risk government loans be given to landlords in order to develop low-income housing.

Opportunities for Private Sector Investment

There are limited opportunities for new private sector rental investment. Four factors were mentioned: the lack of good available land in the core of the village (most renters in Perth Andover do not have cars); the high costs of building new; there is only demand for low rent apartments; and the reluctance of banks to lend money.

Most rental property owners identified the need to assess demand and to develop a financing plan which would ensure a quick return on their investment as the two factors which determined their decision to invest in rental housing.

Several rental property owners mentioned that they had problems dealing with banks. In one case, the bank wanted $300,000 worth of collateral. This was seen to be a rather high ratio of equity required. In another, the local representative was overruled by head office, and the applicant was forced to go to a mortgage broker. In a third example the bank demanded soil samples completed by their own appraiser, and wouldn't accept those from the investor's own appraiser. Finally, one rental property owner couldn't get his financing arrangement approved by a local bank, and they offered no explanation why.

Opportunities for Community-based Investment and Government Intervention

There was mention of demand for seniors housing and low rent housing for families and for quality family units. However, no one could identify a solution to meet these needs other than that low-risk government loans be given to landlords in order to develop low-income housing.

Appendix B: Key Informant Interview Guide

Rural and Small Town Rental Market Study Key Informant Interview Guide

David Bruce, Director
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This research project is funded by Canada Mortgage and Housing Corporation's External Research Program.

The purpose of this study is to describe how the rural and small town rental market has changed in the 1990s, with a particular emphasis on understanding the changing supply and demand variables. The results will help rental investors better understand the marketplace, assist underwriters in evaluating developments, and assist government and community address housing needs.

Community Date
Interviewee

1.How has this community changed since 1990? (the economy, the social makeup, major events) Have these changes affected people's demand for rental housing?

2.Describe how the housing market in general has changed since 1990? (Quantity, quality, price, more or fewer households choosing to rent instead of buying)

3.Describe the housing situation in the immediate surrounding rural areas, and its relationship to this community. (people come into town looking for rental, people want to live in the rural area, lack of housing choice there, etc)

4.Has there been any addition to the rental stock in this time period? If yes, has this been through new construction or simply change in tenure of existing units? Is the rental stock increasing or decreasing as a relative share of the housing stock?

5.The government introduced a 5% downpayment program earlier in this decade. What impact has this had on the number of people looking for rental housing? (they go directly to ownership, they leave rental earlier, none, etc)

6.Mortgage interest rates have been relatively lower and more stable than in the 1980s. What impact has this had on the number of people looking for rental housing? (they go directly to ownership, they leave rental earlier, none, etc)

7. The federal government announced in 1993 that it would not invest in new social housing construction, and because of the cost-sharing nature of these programs, the province followed suit. What impact has this had on the number of people looking for rental housing? (longer waiting lists, change in rental clientele, movement out of community, none, etc)

8. Who supplies rental housing in this community, and has this changed since 1990?

1990 1999
% private landlords each with many units
% private landlords each with only one or a few units
% community non-profit
% direct government ownership
% other (private company, RCMP, other)

9. Who are the renters in this community, and has this changed since 1990?

1990 1999
% families
% single parent families
% single people
% empty nesters (not elderly)
% elderly

1990 1999
% low income households
% middle income households
% high income households

% long term, semi-permanent renters
% mid-term, people rent for a few years
% short term, rent for one year or less

10. What factors, if any, limit the construction of new rental units or the conversion of dwellings to rental units? (cost of construction, low incomes of renters, lack of demand, lack of land, servicing limitations, lack of local social service supports, local regulations, NIMBY, underwriters' evaluations, etc)

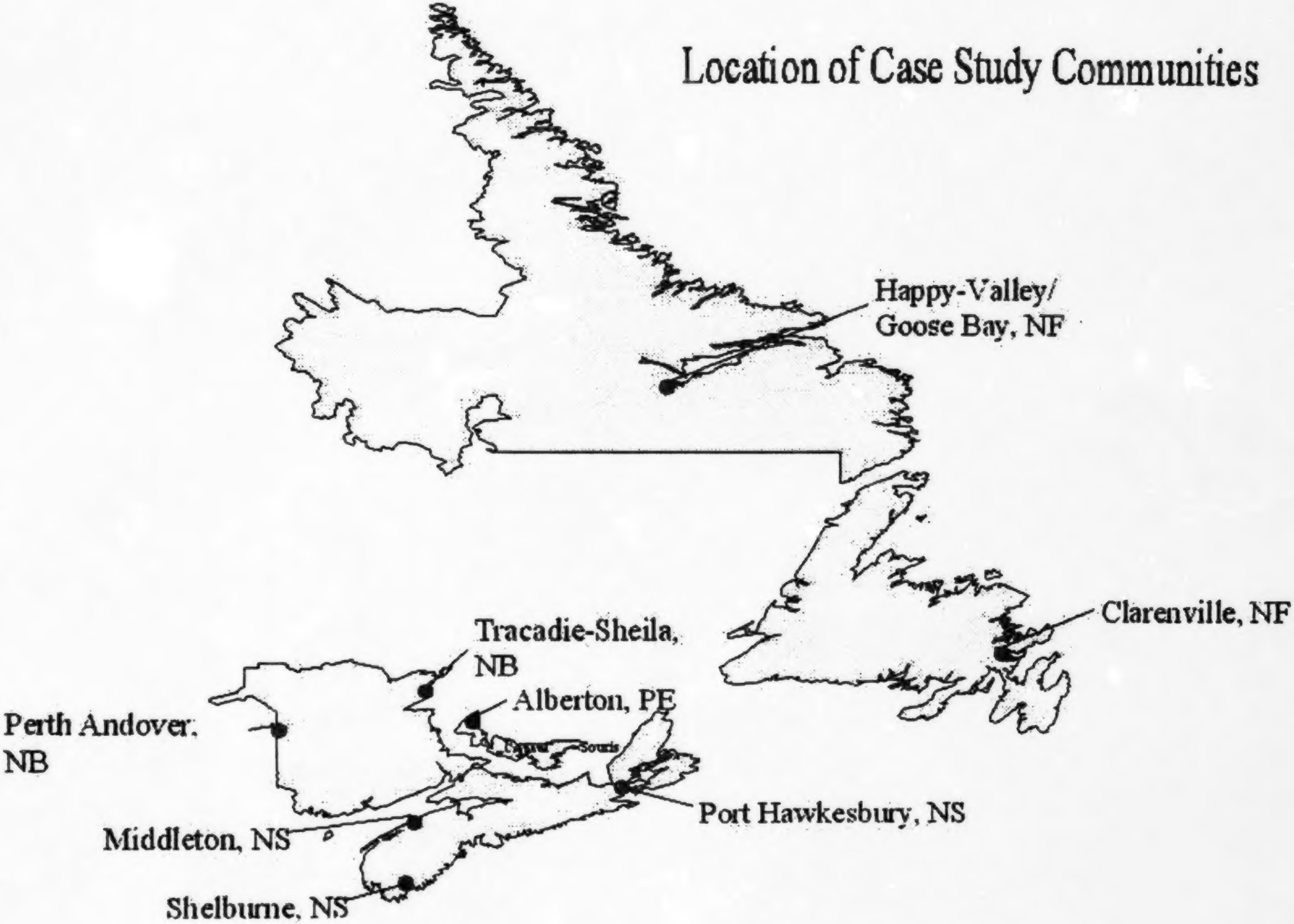
11. What opportunities exist for increasing the rental supply in this community? Are there roles for government, community groups, and others to help make this happen?

FOR PRIVATE SECTOR OWNERS OF RENTAL HOUSING:

12. What are the key factors do you take into account when deciding to invest in a rental property (loan-to-value ratio, debt coverage ratio, rent-to-value ratio, net operating income-to-value ratio, or vacancy loss ratio, cost of construction, return on equity, downpayment in $$, number of units, interest rates).

13. Have you had any problems receiving loans, mortgage insurance, etc related to your rental property investments? Please explain.

Location of Case Study Communities



Happy-Valley/
Goose Bay, NF
Clarenville, NF
Tracadie-Sheila,
NB
Alberton, PE
Souris
Perth Andover,
NB
Port Hawkesbury, NS
Middleton, NS
Shelburne, NS